KIRLOSKAR ELECTRIC COMPANY LTD.

End-to-end presence in electrical engineering

Now is about the future

66th ANNUAL REPORT 2012-13

Dear Shareholders,

I am happy to present the Annual Report for the year 2012-13. I would also like to take this opportunity to welcome Mr. Alok Kumar Gupta, who is appointed as Joint Managing Director of your Company from 15th March, 2013. He has got more than 32 years of extensive techno, commercial experience in sales, marketing, business development, purchase, planning and CRM. I also thank Mr. Anuj Pattanaik the former Deputy Managing Director.

The year 2012-13 continued to be a challenging year. Even after four years since the eruption of global financial crisis, the world economies and financial systems are in the mode of recovery yet. This has ultimately been leaving its continued and far reaching impact on the growth rates of the major developing countries, reflecting both upon external vulnerabilities and domestic challenges. However, it is widely believed that the developed economies will gradually perform better in the coming months though the developing economies will witness sluggish economic performance or negative growth.

Back in India, growth of power, project and infrastructure sector has come to standstill and the demand for the manufacturing goods has been shrinking. Overcapacity, depressed selling prices and uncertainty loom large today. The delayed implementation of projects coupled with extended deliveries of the finished goods are the new challenges being faced. Benefits of internationally weak commodity prices could not be reaped due to depreciating rupee. Tight monetary policy and high cost of funds are adding to the woes of industry. Your Company is mitigating this issue through the measures like optimization of capacities, realigning production facilities and by improving efficiency of resources.

It is important to note that despite various challenges, your company is able to achieve a steady performance through continuous improvements in processes, new product offering and driving operational efficiencies across all its functions, cutting costs, reducing overheads , optimizing the labour cost. The Management of your company is focusing its attention on improving productivity and achieving rationalization of production facilities. We expect to achieve substantial cost reduction through these measures. Considerable efforts are being put on achieving saving in material prices and related expenses. We have initiated various actions to improve customer satisfaction and to get closer to the customer. Integration of German Subsidiary and exploring related benefits has been being followed. For the electronic business, we are in process of entering into strategic partnership for the drive systems, so as to offer full motor plus drives package solutions. Your Company continue to add new customers in all sectors of business in substantial way.

We have initiated several actions to improve performance of Lloyd Dynamowerke GmbH & Co., KG, Germany (LDW), the subsidiary of your Company in Germany. Replacement of certain key managerial personnel and engagement with certain internationally well-known independent experts to work with the company are some crucial actions which are already implemented. We have charged off certain expenses in the year 2012-13 and they are onetime costs. This has resulted in substantial loss in the year 2012-13. Nevertheless, we are pleased to mention that the existing order book of LDW is remarkably healthy and we have made necessary arrangements for continued enhanced support of the local banks and financial institutions. Europe in general and Germany in particular has been showing signs of recovery. We firmly believe that LDW will be benefited by these initiatives and developments. The necessary steps are being taken to improve operational efficiency and business performance of LDW. It is expected that LDW will report better performance in coming year.

During the year Kirloskar (Malyasia) SDN.BHD, has recorded just above 50% growth in its turnover. We hope that the current team would sustain its growth and would record still better results in the year 2013-14.

During the year 2013-14 the external environment appears to be even more challenging and demanding. Unprecedented depreciation of rupee and higher cost of funds will put margins under pressure. Nevertheless, on the optimistic note, it is expected that the necessary fiscal and monetary measures would be taken by the Government to provide impetus to the economy. We see good opportunities in certain segments like transmission & distribution, energy efficient machinery and demand in rural areas. We will continue with our efforts to explore new opportunities of achieving cost reduction and price competitiveness.

I express my sincere thanks to all shareholder, lenders, banks, financial institutions, vendors, customers and all other stake holders. I express my sincere thanks to the employees of the company for their active involvement and support during these hard times.

Vijay R Kirloskar
Chairman

BOARD OF DIRECTORS	**Vijay R Kirloskar**	– *Chairman & Managing Director*
	Alok Kumar Gupta	– *Joint Managing Director*
	A.S.Lakshmanan	
	S.N. Agarwal	
	Anil Kumar Bhandari	
	Sarosh J Ghandy	
	V.P.Mahendra	
	Kamlesh Gandhi	
	Anuj Pattanaik	– *(upto 28th February, 2013)*
	Berthold Groeneveld	– *(upto 23rd May, 2013)*
	D.Devender Singh	– *(LIC Representative upto 19th May, 2013)*
	Meena Kirloskar	
	Ram J Shahaney	

ASSISTANT COMPANY SECRETARY & COMPLIANCE OFFICER — K.S.Swapna Latha

AUDITORS — B.K.Ramadhyani & Co.,
Bangalore

BANKERS
Bank of India
Axis Bank
State Bank of Hyderabad
State Bank of Mysore
State Bank of Travancore
Bank of Commerce, Kualalumpur (Malaysia)
ICICI Bank Ltd

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

MANUFACTURING FACILITIES
- Survey No.16, Govenahalli, Thyamagondlu Hobli, Nelamangala Taluk, Bangalore Rural District - 562 123.
- Gokul Road, Hubli - 580 030.
- Belvadi Industrial Area, Mysore - 570 018.
- Survey No.81/3, Kachenahallli, Budihal. Nelamangala Taluk, Bangalore Rural - 562 123.
- Hirehalli Industrial Area , Tumkur Road, Tumkur - 572 168.
- Sy.No.16/1, Gabbur Village, P B Road, Hubli - 580 028.
- JD Royalite Building, Tumkur Road, Bangalore - 560 022.
- GAT No.309,315,317 & 318, Opp Govt Milk Dairy Kondhapuri, Dt. Pune - 411 209.
- 5/4 Nagar Road, Pune - 411 014.
- Cal-Mumbai Truck Terminal Ltd., East Wing - 14 Jala Dhulagori,Sankrail ,Andul Mauri, Howrah - 711 302.

CONTENTS

NOTICE

NOTICE is hereby given that the SIXTY SIXTH ANNUAL GENERAL MEETING of the Members of KIRLOSKAR ELECTRIC COMPANY LIMITED will be held at Vivanta by Taj, No.2-172-4,Tumkur Road, Yeswantpur, Bangalore-560022 on Monday the 30th September, 2013 at 10.00 AM to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the year ended 31st March, 2013 together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. V P Mahendra, 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. Kamlesh Gandhi, 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. Anil Kumar Bhandari, 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, Selangar Darul Ehsan, Malaysia, are the retiring Auditors, seeking re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an Ordinary Resolution:

   RESOLVED THAT Mr. Ram J Shahaney who was appointed as an Additional Director of the Company with effect from 9th August, 2012 and who holds office upto ensuing Annual General Meeting of the Company, in terms of section 260 of the Companies Act, 1956 and from whom the Company has received a Notice in writing under section 257 of the Act, offering his candidature for the office of the Director of the Company, be and is hereby appointed as a Director liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an Ordinary Resolution:

   RESOLVED THAT Mr.Alok Kumar Gupta who was appointed as an Additional Director of the Company with effect from 15th March, 2013 and who holds office upto ensuing Annual General Meeting of the Company, in terms of section 260 of the Companies Act, 1956 and from whom the Company has received a Notice in writing under section 257 of the Act, offering his candidature for the office of the Director of the Company, be and is hereby appointed as Director not liable to retire by rotation.

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 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (' the Act") and in accordance with the provisions of Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999 ("the ESOP Guidelines") (including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines, for the time being in force), the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modification(s) as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as ' the Board') which term shall be deemed to include any committee including Remuneration and Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), the Board be and is hereby authorized to create, offer, issue and allot at any time to or to the benefit of such persons(s) who are in permanent employment of the Company, including Directors of the Company, whether working in India or abroad, except to the promoter Directors, under the Employment Stock Option Scheme 2012 (hereinafter referred to as "the ESOP Scheme 2012"), such number of equity shares (referred to as "securities") which shall not exceed five percent of the issued equity shares of the Company as on the date of grant of option(s), at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board/Committee.

   RESOLVED FURTHER THAT the said Securities may be granted/allotted to such employees/directors of the Company in accordance with the ESOP Scheme 2012 in the prescribed manner.

   RESOLVED FURTHER THAT the issue of Securities to any non-resident employee(s), non-resident Director (s) shall be subject to such approvals, permissions or consents as may be necessary from Reserve Bank of India or any other relevant authority in this regard.

   RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the existing equity shares of the Company.

   RESOLVED FURTHER THAT the Company shall confirm to the accounting policies prescribed from time to time under the ESOP Guidelines.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted upon exercise under the ESOP Scheme 2012, on the stock exchanges where the Company' s shares are listed as per the terms and conditions of the listing agreement entered into with the stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOP Scheme 2012, the Board/Committee be and is hereby authorized on behalf of the Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revision in the said ESOP Guidelines 2012 or to suspend, withdraw or revive the ESOP Scheme 2012 from time to time as per the discretion of the Board/Committee and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board/Committee to secure any further consent or approval of the shareholder of the Company.

9. 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, 1956 and Schedule XIII thereto, consent of the Company be and is hereby accorded to the appointment of Mr. Alok Kumar Gupta as Joint Managing Director of the Company for a period of 5 (Five) years with effect from 15th March, 2013.

RESOLVED FURTHER THAT the remuneration payable to Mr. Alok Kumar Gupta will for a period of 3 (Three) years with effect from 15th March, 2013 as set out in the Explanatory Statement with liberty to the Board of Directors to vary and alter the terms and conditions subject to the provisions of Schedule XIII of the Companies Act, 1956.

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. Alok Kumar Gupta, in the event of loss or inadequacy of profit in any financial year during the term of his office.

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

Place : Bangalore
Date : September 2, 2013

K.S.Swapna Latha
General Manager &
Assistant Company Secretary

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(2) 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/ email 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.

(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) 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.

(h) As the members would be aware, the Ministry of Corporate Affairs has notified 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. 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: investors@kirloskar-electric.com along with 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 webste www.kirloskar-electirc.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.

(i) The share transfer books and Register of Members of the Company will remain closed from Monday, the 23rd September 2013 to Monday, the 30th September 2013 (both the days inclusive).

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

A. Mr.V.P.Mahendra, an engineering graduate, who is 70 years of age, joined VST Tillers Tractors Limited in the year 1968 and worked in various capacities through the years and was appointed as Deputy Managing Director of the Company in February, 1984. He was elevated to the position of Managing Director in 1989 which post he holds to date. Besides being on the Board of several companies he is also member of several philanthropic institutions.

Mr. V.P.Mahendra is holding 2,533 equity shares in the Company.

Mr. Mahendra is Director of the following companies:

VST Tillers Tractors Limited
Lakshmi Ring Travellers (Coimbatore) Limited
GOVE Investment & Finance Company Limited
V.S.T Motors Limited
Hotel Pearls Private Limited
Pearls Estate Private Limited
V.S.T. & Sons Private Limited
V P Mahendra Brothers Investment Private Limited
V.S.T Auto Parts Private Limited
MHI-VST Diesel Engines Private Limited

B. Mr. Kamlesh Gandhi, a Commerce Graduate, who is 62 years of age, is associated with Capital and Financial Markets in India for the past 38 years and was member of the BSE for 14 years from 1981 to 1995. He was a Director on the Board of Association of Merchant Bankers of India for 4 years from inception of the Association. As a Merchant Banker, he is instrumental in raising funds for over 300 capital issues and is involved in placement of equities of several companies with retail, high net worth and Institutional Investors, both domestic and overseas.

He was the Guest Speaker at Training Institutes of Banks and Bankers Training College of RBI, on Merchant Banking Activities. He was a Non Executive Director of Several Companies including Dr. Reddy's Group and Rasi Group. He is involved in advising several NRO investors including many high net worth NRI's.

Mr. Kamlesh Gandhi is holding 500 equity shares in the Company.

Mr. Kamlesh Gandhi is Director of the following companies:

Bhagyanagar India Limited

Bhoruka Power Corporation Limited

NCL Industries Limited

Sundaram Clayton Limited

C. Mr. Anil Kumar Bhandari, an Economics Graduate, who is 68 years of age, is a former Vice Chairman and presently a member of Coffee Board. He is also Chairman of Coffee Committee of United Planters Association of South India and Chairman of Karnataka Planters Association.

Mr. Anil Kumar Bhandari is holding 500 equity shares in the Company.

Mr. Anil Kumar Bhandari is Director of the following companies:

The Waterbase Limited

Indian City Properties Limited

Karnataka Coffee Brokers Private Limited

Sportturf Construction (India) Private Limited

Bhoruka Park Private Limited

Fish N Chips Hotel Private Limited

D. Mr. Ram J Shahaney, a graduate from University of London B.Sc (Engg) and an Associate of the City & Guilds Institute, who is 82 years of age, is Chairman Emeritus of Ashok Leyland Limited, the flagship company of the Hinduja Group in India. He joined that Company as Managing Director in 1978 and prior to that he was Chairman & Managing Director of Jessop & Company Ltd, Kolkatta. Mr. Ram J Shahaney was a past President of Confederation of Indian Industry (CII), Society of Indian Automobile Manufacturers (SIAM) and Indian Institute of Welding. He is a companion of the British Institute of Management.

Mr. Shahaney is holding 500 equity shares of the Company.

He is not holding any other directorships.

E. Mr. Alok Kumar Gupta, an Electrical Engineer from National Institute of Technology, MREC (Jaipur) and MBA from R A Poddar Institute of Management, who is 53 years of age, has more than 32 years of extensive techno commercial experience in sales, marketing, business development, purchase, planning and CRM and has attained proficiency in Operations, Business Development & Marketing activities. Prior to joining Kirloskar Electric, Mr. Alok Kumar Gupta was heading Products Group at ALSTOM T&D India Ltd focusing on High Voltage products such as Transformers, Switchgear and GIS etc., Prior to that Mr. Gupta has more than 20 years of experience with Areva T&D India, Crompton Greaves Limited, GEC of India Limited, Jyoti Limited respectively.

Mr. Alok Kumar Gupta is holding 500 equity shares of the Company as qualification shares.

He is not holding any other directorships.

ANNEXURE TO 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.

Item No. 6 of the Notice

Pursuant to Article 153 of the Articles of Association of the Company Mr. Ram J Shahaney was appointed by the Board of Directors as an Additional Director of the Company effective from 9th August, 2012. He holds office upto the date of this meeting and is eligible for appointment. A member has given notice proposing the candidature of Mr. Ram J Shahaney as a Director and complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mr. Ram J Shahaney, 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.

Item No. 7 of the Notice

Pursuant to Article 153 of the Articles of Association of the Company Mr. Alok Kumar Gupta was appointed by the Board of Directors as an Additional Director of the Company from the date of assuming office. Mr. Alok Kumar Gupta has assumed the office on 15th March, 2013. He holds office upto the date of this meeting and is eligible for appointment. A member has given notice proposing the candidature of Mr. Alok Kumar Gupta as a Director and has complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mr. Alok Kumar Gupta, 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.

Item No. 8 of the Notice

The Board has identified the need to reward the permanent employees of the Company to enable them to participate in the growth and financial success of the Company. In view of the above, The Board of Directors at their meeting held on 9th August 2012 has formulated a Scheme in accordance with SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 to offer securities to the employees under the Employee Stock Option Scheme 2012 (ESOP Scheme 2012). The Board has accordingly decided to seek approval of the shareholders of the Company.

Disclosures as per Regulation 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended:

Sr. No.	Particulars	Disclosures
1.	Total number of Options/Shares/Securities that could be issued under the Scheme	Upto five percent (5%) of the aggregate of the number paid-up equity shares of the Company, from time to time, on the date(s) of grant of such securities to eligible employees (or such other adjusted figure for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company as may be applicable from time to time).
2.	Identification of classes of employees entitled to participate in the ESOP	All employees of the Company, including the employees of its subsidiary and step down subsidiary companies, its directors as may be decided by the Remuneration and Compensation Committee constituted for the purpose.
3.	Vesting, requirement of Vesting and maximum period of vesting	The vesting period shall commence on the expiry of one year from the date of grant of securities, and may extend upto three years from the date of grant or such further or other period as the Board/Committee may determine, from time to time. The Securities would vest subject to continued employment with the Company or its subsidiaries, as the case may be. In addition to this, the Board/Committee may specify performance criteria/conditions to be met subject to which securities would vest in the employee. The securities may vest in tranches subject to the terms and conditions stipulated by the Remuneration and Compensation Committee.
4.	Exercise Price or Pricing formula	The Securities would be issued at a discount not exceeding 5% of the closing market price prior to the date of the grant. Each option would entitle the employee to subscribe to one equity share of the Company at the price specified as and when the employee becomes eligible to do so.
5.	Exercise Period and the Process of Exercise	The shares once vested can be exercised over the maximum exercise period, which is 3 years from each tranche's Vesting Date
6.	Appraisal process for determining the eligibility of the employees for ESOP	The appraisal process for determining the eligibility of the employees will be in accordance with the ESOP Scheme 2012 or as may be determined by the Remuneration and Compensation Committee at its sole discretion.

7.	Maximum number of options/shares/securities to be issued per employee and in the aggregate	The maximum number of securities granted to any employee as identified by Remuneration and Compensation Committiee in any one year will not exceed 1% of the paid up equity share capital of the company.
8.	Disclosure and Accounting policies	The Company will comply with the disclosure and accounting policies, as applicable.In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used fair value of the options shall be disclosed in the Directors' Report and also the impact of this difference on profits and Earning Per Share (EPS) of the Company shall also be disclosed in the Directors' Report.
9.	Method of valuation of options	Intrinsic Value Method

In terms of the provision of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and ESOP Guidelines, 1999, approval of the shareholders is sought to issue the Securities, pursuant to the Securities granted under the ESOP Scheme 2012, not exceeding in aggregate, five percent of the number of issued equity shares of the Company from time to time, as on the date(s) of grant of securities under the ESOP Scheme 2012.

Except Mr. Alok Kumar Gupta, Joint Managing Director of the Company may be deemed to be interested in the resolution to the extent of benefit he may derive under ESOP Scheme 2012, 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.

Item No. 9 of the Notice

The Board of Directors appointed Mr.Alok Kumar Gupta as the Joint Managing Director of the Company vide their resolution dated 8th February, 2013. Mr. Alok Kumar Gupta has assumed the office on 15th March, 2013. The remuneration of Mr. Alok Kumar Gupta has also been approved by the Remuneration and Compensation Committee.

Brief Profile:

Mr. Alok Kumar Gupta, an Electrical Engineer from National Institute of Technology, MREC (Jaipur) and MBA from R A Poddar Institute of Management, who is 53 years of age, has more than 32 years of extensive techno commercial experience in sales, marketing, business development, purchase, planning and CRM and has attained proficiency in Operations, Business Development & Marketing activities. Prior to joining Kirloskar Electric, Mr. Alok Kumar Gupta was heading Products Group at ALSTOM T&D India Ltd focusing on High Voltage products such as Transformers, Switchgear and GIS etc., Prior to that Mr. Gupta has more than 20 years of experience with Areva T&D India, Crompton Greaves Limited, GEC of India Limited, Jyoti Limited respectively.

Remuneration:

While approving the remuneration to be paid to Mr. Gupta, the Directors have taken into account Mr. Alok Kumar Gupta's qualification and the remuneration being paid by the similar industry at the comparable level of performance of the Company and expected performance of the Company, subject to the terms and conditions specified in Schedule XIII of the Companies Act, 1956, for the period of three years is as under:

I. SALARY
Salary of ₹ 6 lakhs (Rupees Six Lakhs only) per month with power to the Board of Directors to revise and fix the salary from time to time, up to a sum not exceeding ₹ 7.50 Lakhs (Rupees Seven Lakhs Fifty Thousand only) per month.

II. BONUS
Bonus of up to ₹ 25 lakhs (Rupees Twenty Five lakhs only) a year, as may be determined by the Board of Directors from time to time depending upon his performance.

III. PERQUISITES
In addition to Salary and Bonus, Mr.Alok Kumar Gupta 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, subject to a ceiling of ₹ 1,00,000/- per month.

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.

ENTERTAINMENT EXPENSES

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

Explanation:

Wherever the Context demands, 'family' means the spouse, dependent Children and parents.

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

A) Where in any financial year during the currency of tenure of the appointment the Company has no profits or its profits are inadequate, salary of ₹ 6 lakhs (Rupees Six lakhs only) per month with all the above perquisites, to the extent permissible under law, shall be payable to Mr. Alok Kumar Gupta as minimum remuneration.

B) Entertainment Expenses

Mr. Alok Kumar Gupta will be reimbursed up to ₹ 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 section II sub section C(iv) of Schedule XIII

Your Company is engaged in Electrical Industry and it has various groups such as T & D Group, Large Machine Group, LVM Group, Power Generation Group. 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, nonremunerative 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 300000 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.	₹ 15458.53 lakhs for 1889 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.

During the year 2012-13, the Company has achieved profits 416.03 lakhs (previous year ₹ 956.82 lakhs). The turnover of the company for the year 2012-13 ₹ 80,194.27 lakhs (previous year ₹ 87,173.97 lakhs). The exports of the company for the year 2012-13 was ₹ 6,710.30 Lakhs (previous year ₹ 6,984.58 Lakhs).

The Company is in process to take several measures for optimizing the capacity utilization market reach and performance such as cutting costs at all levels, product development, improving working capital management, product westernization such other measures.

After the notification of General Circular No.46/11 dated 14.7.2011 issued by the Ministry of Corporate Affairs, the approval of Central Government will not be required for appointment and payment of remuneration in case the appointee is a technically qualified person and is not related to the Directors of the Company. Except for the qualification shares, Mr. Alok Kumar Gupta is not holding any other shares in the Company. Mr. Alok Kumar Gupta's appointment and payment of remuneration is within ambit of the above circular and hence, the Company is not seeking Central Government's approval.

Except Mr. Alok Kumar Gupta, who is interested in the Resolution, as the same relates to his appointment and payment of remuneration, 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**

Place : Bangalore
Date : September 2, 2013

K.S.Swapna Latha
General Manager &
Assistant Company Secretary

DIRECTOR' S REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

Your Directors have pleasure in presenting the 66th Annual Report on the business operation of the company, together with the Audited Statement of Accounts for the year ended 31st March, 2013. The financial highlights on the Business operations of the Company are as follows:

FINANCIAL HIGHLIGHTS

(₹ in Lakhs)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Income	**80,194.27**	87,173.97
Expenditure	**59,121.75**	65,585.89
Gross Profit	**21,072.52**	21,588.08
Operating expenses	**16,339.37**	15,486.09
Operating Profit before interest and depreciation	**4,733.15**	6,101.99
Interest	**3,357.92**	3,830.46
Depreciation, amortisation and provisions	**1,703.29**	1,838.89
Operating profit before tax and extraordinary items	**(328.06)**	432.64
Other income (net)	**901.83**	576.26
Net profit before tax and after extraordinary items	**573.77**	1,008.90
Provision for taxation	**157.74**	52.08
Net profit after tax and after extraordinary items	**416.03**	956.82

Company Performance

During the year under report, your Company has achieved a turnover of ₹ 80,194.27 lakhs (previous year ₹ 87,173.97 lakhs). The operations have resulted in a net profit of ₹ 416.03 lakhs (previous year ₹ 956.82 lakhs).

Industry Outlook

The market for your company products remains subdued. The present manufacturing capacity in India is in far excess of the existing demand. This has lead to very aggressive competition and subsequent negative pressure on the prices of products. Your Company has taken several steps to mitigate the impact of this by taking several measures for optimizing the capacity utilization market reach and performance.

Dividend

In order to conserve resources for Company' s growth, your Directors do not propose 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 loss of € 1.04 lakhs (Previous year € 0.71 lakhs).

Subsidiary Companies

The Company as of March 31, 2013 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, 2013 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required.

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

As you are aware, your Company holds 94.89% shares 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. During the year ended 31st March, 2013 Lloyd Dynamowerke GmbH & Co. KG, had turnover of € 399.57 lakhs (₹ 27,942 lakhs) {Previous year € 333.33 lakhs (₹ 22,066 lakhs)} with a net loss after tax of € 64.60 lakhs (₹ 4,496 lakhs) {Previous year net loss € 5.50 lakhs (₹ 311 lakhs)}.

Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to ₹ 69,935.88 lakhs as against ₹ 63,566.02 lakhs in 2011-12.

Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to ₹ 40,861.21 lakhs as against ₹ 46,369.66 lakhs in 2011-12.

Others

During the year under review the sale of other Electrical Products amounted to ₹ 4,719.32 lakhs as against ₹ 6,916.69 lakhs in 2011-12.

Human Resources

The Company considers its employees as its most valuable asset. 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 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. The Company has 1742 employees as on 31.03.2013.

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. Anil Kumar Bhandari, Mr. V.P.Mahendra and Mr.Kamlesh Gandhi, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The Board has appointed Mr. Ram J Shahaney as Additional Director of the Company at their meeting held on 9th August, 2012. Mr. Ram J Shahaney hold office upto the date of the Annual General Meeting and has been proposed for appointment.

The Board of Directors appointed Mr.Alok Kumar Gupta as the Joint Managing Director of the Company at their Board Meeting held on 8th February, 2013. Mr. Alok Kumar Gupta has assumed the office on 15th March, 2013. The remuneration of Mr. Alok Kumar Gupta has been approved by the Remuneration & Compensation Committee.

Mr. Anuj Pattanaik, Deputy Managing Director, resigned from the services of the Company during the year under review. Your Directors place on record their appreciation of the valuable services rendered by Mr. Pattanaik during his tenure as a Director of the Company.

Mr.D.Devender Singh and Mr. Berthold Groeneveld, resigned as Directors of the Company. Your Directors place on record their appreciation of the valuable services rendered by Mr.D.Devender Singh and Mr. Berthold Groeneveld during their tenure as Directors 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 Directors 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, 2013 and of the Profit and Loss Account for the year ended 31st March, 2013.
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.

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(1B) of the Companies Act, have been received from M/s. B. K. Ramadhyani & Co., and M/s. Sundar & Associates.

Auditor' s Report

The comments/observations of the Auditors are self-explanatory and the Company' s explanations theretohave 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 (i) of Basis of Qualified Opinion of Auditors

The Company has sought written confirmation from all its vendors to let us know if they are either micro, small or medium enterprises. Once these details are updated, particulars of dues to micro, small and medium enterprises could be ascertained. This is a continuous process and the management would intensify its efforts to collect the required details.

Para (ii) of Basis of Qualified Opinion of Auditors and Para 4 of the Annexure to the Auditors Report

Confirmation is ongoing process. The Company has initiated certain actions to approach these parties and to get the written confirmations. However it has no impact on financial results of the Company.

Para (iii) of Basis of Qualified Opinion of Auditors and Para 2(e) of Auditors' Report on Other Legaland Regulatory Requirements and Para 4 of the Annexure to the Auditors' Report

The relevant details of inventory are available for verification .The Company has made good progress in this subject and initiated several actions to address this observation. The Company regularly undertakes physical verification of inventory at all the locations & differences, if any, identified are suitably adjusted in the books. The majority of inputs used by the Company do have long shelf life and the Company is of the opinion that such inputs, if in inventory, are useable. The company will continue with its efforts to bring in the necessary changes so that the valuation of work in progress is in line with Accounting Standard 2, however it has no impact on financial results of the Company.

Para (iv) of Basis of Qualified Opinion of Auditors

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

Para 2(a) of the Annexure to the Auditors' Report

Confirmations have been received from some parties and from some they are expected. This is a continuous process and the management would intensify its efforts to collect the required details.

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 the remaining units. 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 on 31st March, 2013, the discrepancies, if any, have been properly dealt with in the books of accounts. The discrepancies were not material in nature.

Fixed Deposits

26 persons had not claimed repayment of their matured deposits amounting to ₹ 22.80 lakhs as at 31st March, 2013. Out of the above upto the date of this report, 10 Fixed Deposit amounting to ₹ 9 lakhs has been repaid and Fixed Deposit amounting to ₹ 8.60 lakhs has been renewed and balance 8 Fixed Deposit amounting to ₹ 5.2 lakhs had not been claimed.

Acknowledgements

The Board of Directors take this opportunity to express its sincere appreciation for the continued support and confidence received from the Company' s Bankers, Financial Institutions, Customers, Suppliers, Depositors, Shareholders and Employees.

For and on behalf of the Board of Directors

Place : Bangalore
Date : September 2, 2013

Vijay R Kirloskar
Chairman & Managing Director

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.
6) Air-Compressor Pressure is maintained at reduced pressure with fixed timing and air leakages arrested.
7) Borewell and water pumps running is scheduled. Timer maintained to save energy and water.
8) Installation of capacitor panels.

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.
4) Energy Conservation Audit through External Audit Agency.

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.
f. Special motors for vehicle application developed.

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 lakhs)
Capital	–
Recurring	24.95
Total	24.95
Total R & D Expenditure	24.95
as a % of total turnover	0.03

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 ₹ 6,710.30 lakhs. The Company' s exports are growingsteadily.

2. Total foreign exchange used and earned.

		(₹ in lakhs)
a)	Foreign Exchange earned	
(i)	FOB value of goods exported (net) of sales within India eligible for export incentives.	6,710.30
(ii)	Dividend on shares (net of tax)	5.42
(iii)	Repatriation of Profit	–
(iv)	Others	573.89
b)	Foreign Exchange Used Value of imports calculated on the CIF basis.	
(i)	Raw materials & Components and spare parts.	5,453.78
(ii)	Capital Goods	7.90

For and on behalf of the Board of Directors

Place : Bangalore
Date : September 2, 2013

Vijay R Kirloskar
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance

1. Company' s philosophy on code of governance

The Company has always been committed to the system by which the business is conducted on the principle of good corporate governance. The culture of good corporate governance is followed at all stages in conducting the business. The principles of corporate governance viz., integrity, equity, fairness, accountability and commitment to values are promoted continuously.

The Corporate structure, business and financial reporting practices have been aligned to the principles of corporate governance, continuous endeavor is made to improve these practices on an ongoing basis.

2. Board of Directors

a) ***Composition, Category of Director, Attendance at Meeting, Other Directorships & Chairmanship and Memberships of the Board Committees***

The Company has an Executive Chairman. Mr. Vijay R Kirloskar is the Chairman and Managing Director and Independent Directors are more than half of the total strength of the Board. The Company has complied with the requirements of Clause 49 of the Listing Agreement on the composition of the Board

Name of the Director	Category	Attendance			Other Directorships/Committee Memberships@		
		No. of Board Meetings held during the tenure	No. of Board Meetings attended	Last AGM attended Yes/No	Directorships in other companies	Committee Member	Committee Chairman
Mr.Vijay R Kirloskar	Executive -Chairman & Managing Director	5	5	Yes	4	Nil	Nil
Mr.Alok Kumar Gupta*	Executive- Joint Managing Director	1	1	NA	Nil	Nil	Nil
Mr.Anuj Pattanaik**	Executive- Deputy Managing Director	4	4	Yes	Nil	Nil	Nil
Mr.A.S.Lakshmanan	Non Executive- Independent Director	5	5	Yes	Nil	Nil	Nil
Mr.S.N.Agarwal	Non Executive- Independent Director	5	3	Yes	5	2	Nil
Mr.Anil Kumar Bhandari	Non Executive- Independent Director	5	3	No	2	1	1
Mr.Sarosh J Ghandy	Non Executive- Independent Director	5	4	Yes	3	1	1
Mr.V.P.Mahendra	Non Executive- Independent Director	5	4	Yes	4	Nil	Nil
Mr.Kamlesh Gandhi	Non Executive- Independent Director	5	5	Yes	5	2	Nil
Mr.D.Devender Singh***	Non Executive- Independent Director (Nominee - LIC)	5	3	Yes	Nil	Nil	Nil
Mr.Berthold Groeneveld****	Non Executive- Non Independent Director	5	4	Yes	Nil	Nil	Nil
Mrs.Meena Kirloskar	Non Executive- Non Independent Director	5	5	Yes	Nil	Nil	Nil
Mr.Ram J Shahaney*****	Non Executive- Independent Director	4	4	NA	Nil	Nil	Nil

@ as on 31.3.2013- of Public Limited Companies only.

* Appointed as additional director w.e.f.15.3.2013

** Ceased to be a Director of the Company w.e.f. close of office hours on 28.2.2013

*** Ceased to be a Director of the Company w.e.f close of office hours on 19.5.2013

***** Ceased to be Director of the Company w.e.f close of office hours on 23.5.2013

***** Appointed as additional director w.e.f. 9.8.2012 after the Annual General Meeting held on that day.

b) *Number of Board Meetings held, dates on which held:*

Five Board Meetings were held during 2012-13. The meetings were held on the following dates : 28th May, 2012, 9th August 2012, 2nd November 2012, 8th February, 2013 and 27th March, 2013.

3. 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 meet on 28th May, 2012, 9th August, 2012, 8th February, 2013 and 27th March, 2013.

The Particulars of meeting attended by the members are as follows:

Name		Meetings	
		Held during the tenure	Attended
Mr.S.N.Agarwal	Chairman	4	3
Mr.A.S.Lakshmanan	Member	4	4
Mr.Anil Kumar Bhandari	Member	4	3
Mr.Sarosh J Ghandy	Member	4	4
Mr.V.P.Mahendra	Member	4	4

Mr. S N Agrawal, Chairman of the Audit Committee attended the 65th Annual General Meeting of the Company held on 9th August, 2012

4. Remuneration and Compensation Committee

During the year under review, the Committee met on**:** 28th May, 2012, 2nd November, 2012 and 8th February, 2013.

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

Name		Meetings	
		Held during the tenure	Attended
Mr.S.N.Agarwal	Chairman	3	1
Mr.A.S.Lakshmanan	Member	3	3
Mr.Anil Kumar Bhandari	Member	3	2
Mr.Sarosh J Ghandy	Member	3	2
Mrs.Meena Kirloskar	Member	3	3

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 31.3.2013 was 1742.

Details of remuneration to all the directors for the financial year 2012-13

(in ₹)

Name	**Designation**	**Salary**	**Contribution to PF and other Funds**	**Total Amount**	**Share holding No of shares**
Mr. Vijay R Kirloskar	Chairman & Managing Director	1,98,13,517**	53,49,650+	2,51,63,167	38,90,811
Mr. Alok Kumar Gupta #	Joint Managing Director	3,65,376	88,839	4,54,215	500
Mr. Anuj Pattanaik *	Dy. Managing Director	91,02,250$	17,64,180	1,08,66,430	1,000

Appointed as Director w.e.f. 15.3.2013 and acquired 500 shares in April 2013.
* ceased to be director w.e.f. close of office hours of 28.2.2013.
** includes arrears of ₹ 55,78,037.
+ includes arrears of ₹15,06,070
$ includes ₹ 8,10,000 towards Lease Rent and ₹ 12,00,000 towards bonus.

The Company has not paid any remuneration to the non-executive directors other than sitting fee of ₹ 15,000/- each, paid for attending Board/ Committee Meetings. The remuneration paid to Mr. Vijay R Kirloskar is within the limits approved by Central Government vide its letter No. SRN.A96081419/4/2010-CL-VII dated 31st July 2012.

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

5. Committee formed to consider and approve the financial results

The Committee consist of following Directors

Name		Meetings	
		During the tenure	Attended
Mr.A.S.Lakshmanan	Chairman	1	1
Mr.Vijay R Kirloskar	Member	1	1
Mr.Anuj Pattanaik *	Member	1	1
Mr.V.P.Mahendra	Member	1	–
Mr.Alok Kumar Gupta**	Member	NA	NA

* ceased to be director w.e.f. close of office hours on 28.2.2013

** Appointed as Director w.e.f. 15.3.2013

During the year under review, the committee meet on 2nd November, 2012.

6. Shareholders/Investors Grievances Committee

The shareholders/Investors Grievances Committee consist of the three Directors. During the year under review, the Committee meet on 27th March, 2013 and reviewed the status of shareholders' grievances and approved share transfer and transmission etc.

The terms of reference of Shareholders/Investors Grievances Committee include, interalia, to look into the shareholders and investors complaints regarding transfers and transmissions of shares, issue of duplicate share certificates, consolidation and splitting up of shares and also to decide all matters incidental to and arising out of transfer and transmission of shares, redress the same.

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

Name		Meetings	
		During the tenure	Attended
Mr.Anil Kumar Bhandari	Chairman	1	1
Mr.Vijay R Kirloskar	Member	1	1
Mr.Alok Kumar Gupta	Member	1	1

Name and designation of Compliance Officer

Mr. P Y Mahajan was the Compliance Officer upto 4th January, 2013 and Ms. K S Swapna Latha is the Asst. Company Secretary and Compliance Officer from 31st January, 2013.

Number of shareholders complaints received, not solved to satisfaction of shareholders and number of pending share transfers

Shareholders complaints are given top priority by the company and replies promptly by Company. It is the policy of the Company that Investor Complaints are attended at the priority and solved at the earliest.

A statement of various complaints received and cleared by the Company during the year 2012-13 is given below:

Nature of Compliant	2012-13		
	Received	Cleared	Pending
Letters regarding Non receipt of Annual Reports	3	3	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)	3	3	Nil
Miscellaneous Letters or complaints received other than of above categories.	6	6	Nil

7. General Body Meetings

a) Location, time and Special Resolution for the last three AGMs:

	2009-10	2010-11	2011-12
Date, Venue and Time	23rd September, 2010 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 10.00 A.M	3rd August, 2011 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 10.00 A.M	9th August, 2012 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 10.00 A.M
Special Resolution Passed	Re-appointment of Mr. Vijay R Kirloskar as Managing Director and payment of remuneration from 17th August, 2010 till 16th August, 2015.	1. Appointment of Mr. Anuj Pattanaik as Deputy Managing Director from 23rd September, 2010 till 22nd September, 2015 and payment of remuneration to Mr. Anuj Pattanaik. 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration.	1. Increase in payment of remuneration to Mr. Anuj Pattanaik, Deputy Managing Director from 4th August, 2011 till 3rd August, 2014. 2. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration.

b) Special resolution put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedure for postal ballot: Nil

c) Location, time and special Resolution of the Extra-ordinary General Meeting of the Company held during the Financial year 2012-13 : Nil

8. 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 44 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 Auditor of the Company for the financial year 2013-14, under Section 233B of the Companies Act, 1956.

Cost Audit Report for the financial year 2011-12 was filed with Ministry of Corporate Affairs(MCA) on 26.2.2013 (due date as extended by MCA 28th February, 2013). Cost Audit Report for the financial year 2012-13 will be filed 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.

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.

9. Means of Communication

a) Quarterly results

The Company has been regularly publishing Audited/Un-audited results in leading news dailies, immediately after the same is approved by the Board. The results are also posted on the Company's website.

b) Newspaper wherein results normally published:

The quarterly results are normally published in the all India edition of Business Standard and Bangalore edition of Samyukta Karnataka.

c) Company's Website address:

The quarterly results and other official news are posted on the Company's website www.kirloskar-electric.com

d) The presentation made of institutional investor or the analysts

No presentation were made to institutional investors or to the analysts during the year 2012-13.

e) Email ID for registering complaints by investors is: investors@kirloskar-electirc.com

10. General Shareholder Information

Date, Time & Venue of Annual General Meeting

The Company will hold its 66th Annual General Meeting on Monday the 30th September, 2013 at Vivanta by Taj, No.2-172-4, Tumkur Road, Yeswantpur, Bangalore - 560 022 at 10.00 AM.

Financial Year:

The Company's financial year starts on 1st April and ends on 31st March

Date of Book Closure

The share transfer books and Register of Members of the Company will remain closed from Monday, the 23rd September, 2013 to Monday, the 30th September, 2013 (both the days inclusive).

Dividend payment Date

The Board of Directors have not recommended dividend on the equity shares for the financial year ended 31st March, 2013.

Listing on stock Exchanges & Stock Code

The Company's equity shares are listed on the following stock exchanges and the Company has paid the appropriate listing fees for the financial year 2013-14 and its stock code is as under:-

1. Bombay Stock Exchange Ltd – 533 193
2. National Stock Exchange of India Ltd – KECL

Since the equity shares of the Company are not traded in Bangalore and Madras Stock Exchanges for a long time and BSE, NSE provides sufficient access to trade and deal in Company's securities across the country the Board at its meeting held on 27th March, 2013 has approved to delist its shares from Bangalore Stock Exchange and Madras Stock Exchange. The Company has made application for the delisting and the Bangalore Stock Exchange vide their letter dated 20.5.2013 has approved the delisting from 23rd May, 2013 and the Madras Stock Exchange vide their letter dated 27.08.2013 has approved the delisting from 27th August, 2013. The Company's equity share will continue to be listed on Bombay Stock Exchange and National Stock Exchange which have nation wide trading terminals.

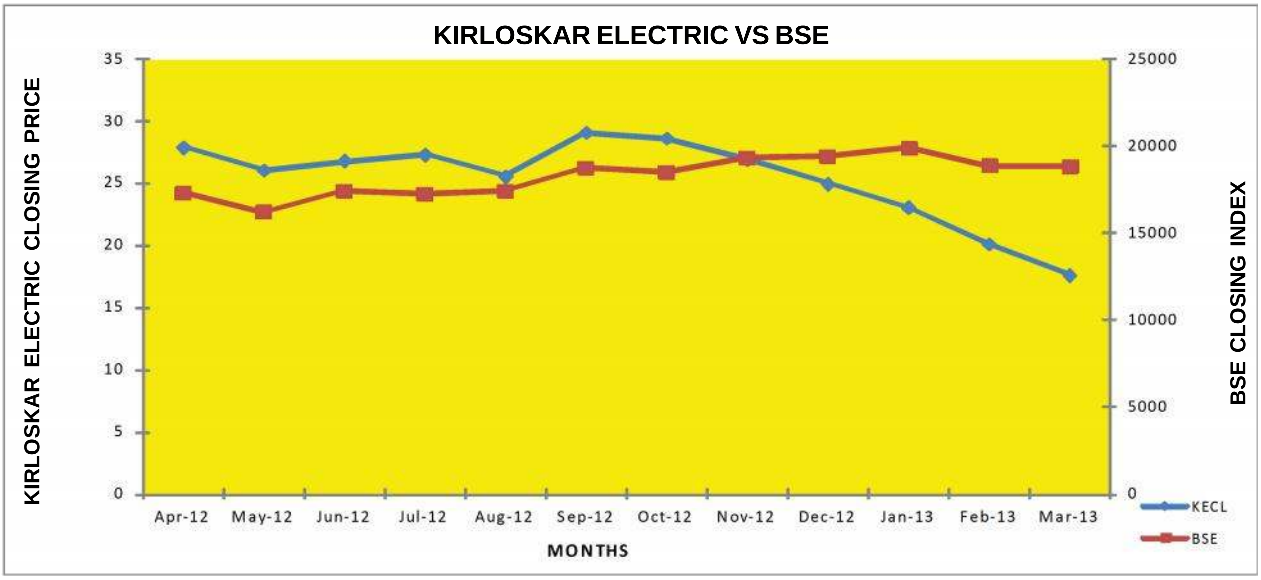
Market Price Data

During the year under review there was no trading in the shares of the Company on Banzgalore 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 and at National Stock Exchange were as follows :

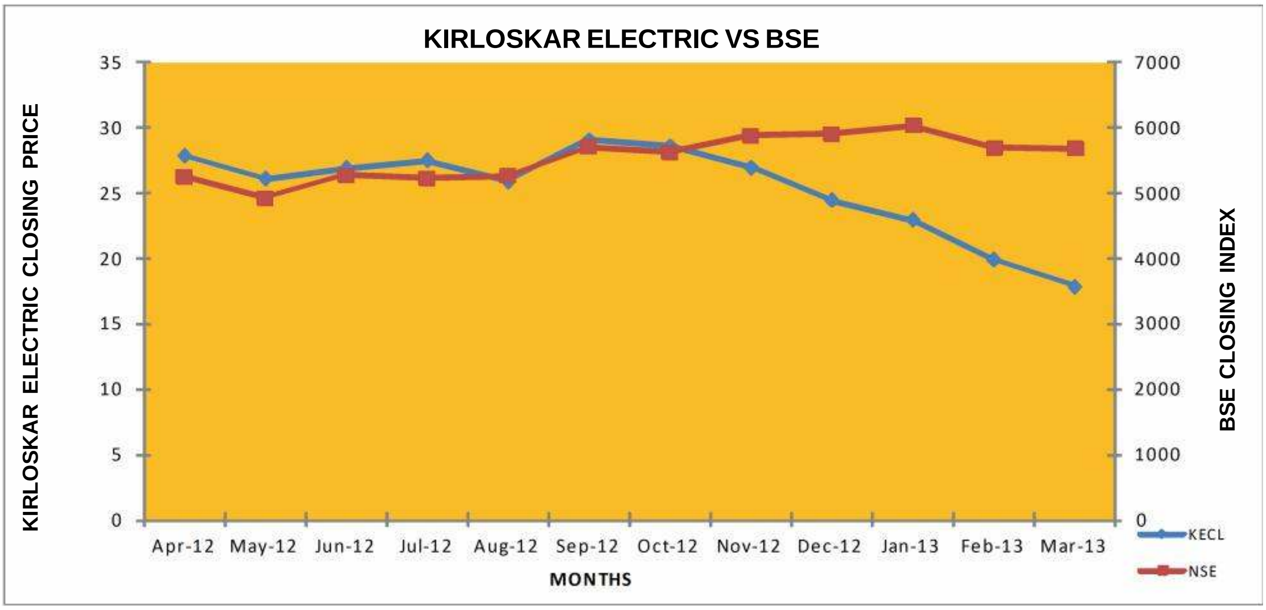
Month	Kirloskar Electric on BSE			Kirloskar Electric on NSE		
	High(₹)	Low(₹)	Volume(Nos)	High(₹)	Low(₹)	Volume(Nos)
April 2012	29.90	27.20	149907	30.00	27.00	74237
May 2012	28.50	23.05	345485	29.20	23.10	202720
June 2012	27.70	24.70	101001	27.80	24.40	62306
July 2012	33.00	26.00	446506	32.95	25.15	271707
August 2012	29.00	24.50	119323	30.50	24.40	72735
September 2012	29.65	23.90	248155	29.70	20.80	248855
October 2012	31.50	27.50	288332	31.50	27.00	160518
November 2012	29.00	24.50	162021	29.00	22.00	164318
December 2012	27.75	23.10	415575	27.50	24.25	351102
January 2013	25.75	22.90	572041	26.00	22.75	624560
February 2013	23.80	19.70	132136	25.00	19.15	117553
March 2013	20.45	16.90	308322	20.75	17.00	315195

Share Price Movements:

Share Price Movements for the period 1st April, 2012 to 31st March, 2013 - Kirloskar Electric Company Limited (KECL) vs BSE Sensex



Share Price Movements for the period 1st April, 2012 to 31st March, 2013 - Kirloskar Electric Company Limited (KECL) vs NSE Sensex



Registrar and Share Transfer Agents:

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, Contact Person: Mr. Manjunath, Senior Manager.

Share Transfer System:

The company' s share are compulsorily traded in Dematform. The ISIN allotted to Kirloskar Electric Company Limited is: ISIN INE 134B01017. Investors are required to establish an account with Depository account with a Depository Participant to hold and trade shares in the dematerialized form. The list of participants is available with Depositories.

Share transfers in the physical forms are approved fortnightly basis by the Company and are mailed to the Investors. The total number of shares transferred during the year 2012-13 was 7075 (previous year 16760).

Distribution of Shareholding as on 31.3.2013:

Shareholding Range	No. of share holders in Demat Form	No. of Shares	No. of shareholders in Physical Form	No. of Shares	Total No. of share holders	%	No. of shares	% of share holdings
1-500	14010	1716875	22183	951125	36193	92.61	2668000	5.28
501-1000	1119	914495	255	185158	1374	3.52	1099653	2.18
1001-2000	550	833207	128	177464	678	1.73	1010671	2.00
2001-3000	236	599128	43	105376	279	0.71	704504	1.39
3001-4000	111	398711	20	68726	131	0.34	467437	0.93
4001-5000	105	486496	13	56439	118	0.30	542935	1.07
5001-10000	162	1198541	15	102874	177	0.45	1301415	2.58
10001 & above	123	34408006	8	8318746	131	0.34	42726752	84.57
TOTAL	16416	40555459	22665	9965908	39081	100.00	50521367	100.00

Shareholders' profile as on 31st March, 2013:

Category	No. of Shares held	Percentage of Shareholding
Promoters	24902746	49.29
Banks, Financial Institutions	4080134	8.08
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	3736406	7.40
Indian Public	15818811	31.31
NRIs/OCBs	1982420	3.92
TOTAL	50521367	100.00

Dematerialisation of Shares and Liquidity

The paid up equity capital of the Company as on 31.3.2013 was ₹ 50,52,13,670 (5,05,21,367 shares of ₹ 10/- each). Out of the total Equity paid up share capital of ₹ 50,52,13,670, 4,05,55,459 equity shares of ₹10/- each representing 80.27% of the Equity Capital were held in dematerialised form as on 31.3.2013.

The Company has arrangement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate holding of the shares in electronic form. Nearly 80.27% of the Company' s share are held inelectronic form. The Company' s shares are traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

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

The Company has not issued any GDR/ADR/Warrants or any convertible instruments.

Plant location:

Details of address of plant locations are mentioned in the beginning of the Annual Report.

Address for correspondence:

The Compliance Officer
Kirloskar Electric Company Ltd.
Post Box No.5555, Malleswaram West, Bangalore 560 055
Telephone : 080 – 23374865, 23378735 Fax : 080 -23377706
Web Site Address – www.kirloskar-electric com

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 2012-13.

Place : Bangalore
Date : September 2, 2013

Vijay R Kirloskar
Chairman & Managing Director

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.

Opportunities

The industries to which we cater to and diversified portfolio of ours provide consistent demand for our products overall. We are also trying to innovate and further diversify our range of products. The Indian Economy is expected to do well in coming days. There is considerable energy deficit. This provides significant opportunities to share in the chain of power business for our different product lines. The strong brand image of the Company's products on account of our stress on quality and a broad network of our dealers/service centres 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

The existing uncertainty over policy decisions and delayed project clearances coupled with weaken rupee and increase in cost of funds could result into slower revival of the capital good industry. The industry is becoming highly competitive. GDP growth of India may fall below 5%. 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 ₹ 80194.27 lakhs as against ₹ 87173.97 lakhs in the previous year. The profit before tax for the year is ₹ 416.03 lakhs as against a profit of ₹ 956.82 lakhs in the previous year.

Segment wise or product wise 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 segment wise turnover of the Company is as follows: -

(₹ in Lakhs)

Products	**2012-13**	2011-12
Rotating Machines Group	**69,935.88**	63,566.02
Power Generation and Distribution Group	**40,861.21**	46,369.66
Others	**4,719.32**	6,916.69
TOTAL	**1,15,516.41**	1,16,852.37

Future Outlook

The market for your company products has been challenging. The aggressive competition and raising cost have put pressure on margins. The Company is ready for upcoming growth opportunities and it has taken several measures to optimize capacity utlitlaization, market reach and performance.

Risks & Concerns

Competition is increasing and the GDP growth is expected to be below 5%. Demand side pressure may take longer than expected to pickup The rise in prices of materials mainly fuelled by weak rupee 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

Place : Bangalore
Date : September 2, 2013

Vijay R Kirloskar
Chairman & Managing Director

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2013 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 : September 2, 2013

Vijay R Kirloskar
Chairman & Managing Director

Vinayak Narayan Bapat
Vice President &
Chief Financial Officer

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 31.3.2013 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
Firm number: 002878S

Place : Bangalore
Date : September 2, 2013

CA. C R Krishna
Partner

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

Report on the Financial Statements:

We have audited the accompanying financial statements of Kirloskar Electric Company Limited ("the Company") which comprise of Balance Sheet as at March 31, 2013, Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis of our Qualified Opinion:

(i) *Note 10 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.*

(ii) *Note 37 (a) to the financial statements regarding confirmation of balances from trade receivables being awaited and accounts of certain trade receivables being subject to review/reconciliation/identification of doubtful debts. Debts above two years and considered as good by management is estimated at ₹1,940.45 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts.*

(iii) *Para 2(c) of the annexure to this report and Note 38 to the financial statements regarding certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. Further, work in progress at certain units as at March 31, 2013 with aggregate carrying value of ₹ 5,658.81 lakhs includes non moving and old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value and reusability is under progress. The determination of cost or net realizable value in respect of work in progress is not in line with Accounting Standard (AS) - 2.*

(iv) *Note 40 to the financial statements regarding realizable value of assets held for sale (₹ 793.09 lakhs) being assessed by management without the support of an external valuation or quotations from prospective buyers.*

In all cases referred to above, effect on revenue, assets and liabilities is not ascertainable. We do not express any independent opinion in these matters.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2013;

(ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

(iii) In the case of the cash flow statement for the year ended on that date.

Emphasis of Matter:

Attention is invited to note 51 of the financial statements, that Lloyd Dynamowerke GmbH & Co. KG, Germany ("LDW") has incurred losses for the year, management's representation that it has sufficient orders in hand, is confident of earning profits in the subsequent years and that the diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) of ₹ 15,458.53 lakhs is considered temporary and no provision is considered necessary. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. 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 Act ("the Order"), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227 (3) of the Act, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

c. The 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.

d. The Balance Sheet, Statement of Profit and Loss and cash flow statement dealt with by this report are in agreement with the books of account.

e. In our opinion, the Balance Sheet, Statement of Profit & Loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act *except for valuation of work in progress being* not in line with Accounting Standard – 2 as referred in note 38 of the financial statements.

f. On the basis of written representations received from the directors, as on March 31, 2013 and taken on record by the board of directors, we report that none of the directors are disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

g. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act, nor has issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

(CA C R KRISHNA)
Partner
Membership number 027990

Place : Bangalore
Date : May 30, 2013

ANNEXURE REFERRED TO IN PARA 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE 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. However comprehensive description of assets and their current location need to be updated in the asset records.

   b. The management during the year has physically verified the fixed assets during the year. In our opinion and as represented to us by the Company the differences so identified and yet to be adjusted in the books of accounts are not material.

   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 amounting to ₹142.37 lakhs and at port are subject to confirmation/ reconciliation.*

   b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c. *The Company has implemented SAP ECC 6 systems at all its units. Certain mistakes and omissions noticed during the year have been corrected based on physical verification taken from time to time (refer note 38 of the financial statements). The Company is in the process of quantifying the differences to be adjusted in the books of account on a comprehensive basis. Accordingly, we are unable to state whether the discrepancies between books/records and inventory are material and whether they 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 fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interests of the Company. The maximum amount involved during the year and amount outstanding at the end of the year were ₹ 45.00 lakhs.

   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 41 to the financial statements are advances and not in the nature of loans.

4. Having regard to the explanations given to us that some of the bought items/ assets are proprietary and/ or are customised to the requirements of the Company and as such comparative quotations are not available and *subject to notes 37 and 38 to the financial statements*, 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 for the sale of goods. We have not observed during the course of our audit any continuing failure to correct the major weaknesses in the internal controls, subject to note 37 and 38 of the financial statements.

5. a. According to the information and explanations given to us, we are of the opinion that contracts that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

   b. In respect of transactions made in pursuance of such contracts or arrangements exceeding the value of ₹ 500,000 entered into during the year the Company has represented to us that their rates are comparable to market prices. However considering the proprietary nature of certain items and in the absence of comparable prices from other parties we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, 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. Further and according to the Company no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

7. The Company has an internal audit system in place conducted through an external agency. According to the information and explanation given to us the management has a policy, for covering all relevant areas of internal audit in a phased manner from time to time, which in our opinion is commensurate with size and nature of the business of the Company.

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, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Service Tax, Cess and other applicable statutory dues with the appropriate authorities barring delays in certain months.

b. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Service Tax and Cess were in arrears, as at March 31, 2013 for a period of more than six months from the date they became payable except for matured deposits amounting to ₹ 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries.

c. According to the information and explanations given to us, there are no dues in respect of Service tax and Cess not deposited on account of any disputes. However the following dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, had not been deposited as at March 31, 2013 with the relevant authorities on account of disputes.

Name of the statue	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Karnataka Sales Tax Act, 1957	Resale tax demanded	36,907,000	2003 – 2005	High Court of Karnataka
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	18,106,244	2005 – 2008	Supreme Court
Karnataka Value Added Tax Act, 2003	VAT demanded	4,295,583	2006 – 2007 & 2007 – 2008	Joint Commissioner of Commercial Tax (Appeals)
The Central Excise, 1944	Excise demand	217,927	April 1993 & April 2001	High Court of Karnataka
	Excise demand	917,857	September 2006 and September 2007	Central Excise and Service Tax Appellate Tribunal
	Cenvat availment	12,963,377	June 2006 , January 2008 to April 2010 & October 2008 to April 2010 September 2010 to March 2011	Commissioner of Central Excise (Appeals)
	Delay in payment	1,105,462 of Excise duty	2010 - 2011	Additional Commissioner of Central Excise
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Income Tax Act, 1961	Income tax demand	1,556,378	Assessment Year 2010 – 2011	Commissioner of Income Tax (Appeals)
The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	2,065,585	1999 - 2000	Maharastra Sales Tax Tribunal, Mumbai
	Works contract tax	9,649,083	1996 – 97 to 2004 – 2005	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	3,841,088	2002 – 2003 to 2004 – 2005	Deputy Commissioner of Commercial taxes
	Sales tax demand	100,456,338	1999 – 2000	Joint Commissioner of Commercial Taxes

10. In our opinion, the Company did not have accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceeding financial year. This is without taking cognizance of our comments in basis of qualified opinion paragraph 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.

12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

15. In our opinion, the terms and conditions on which the Company has given guarantees in a prior year for loans taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to its interest.

16. According to the information and explanations given to us, there are no term loans taken from banks. Accordingly the provisions of 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 ₹ 7,254.99 lakhs 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, no debentures were outstanding at the end of the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable

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 and to the best of knowledge and belief, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

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

(CA C R KRISHNA)
Partner
Membership number 027990

Place : Bangalore
Date : May 30, 2013

BALANCE SHEET AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2013		As at March 31, 2012	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	3	5,052.14		5,052.14	
(b) Reserves and Surplus	4	14,511.67		14,095.64	
			19,563.81		19,147.78
(2) Non - current liabilities					
(a) Long term borrowings	5	2,026.41		1,294.30	
(b) Other long term liabilities	7	715.00		690.45	
(c) Long term provisions	8	1,265.54		1,071.34	
			4,006.95		3,056.09
(3) Current Liabilities					
(a) Short term borrowings	9	15,174.67		12,697.42	
(b) Trade payables	10	24,063.56		22,704.96	
(c) Other current liabilities	11	6,422.37		9,482.74	
(d) Short term provisions	12	1,186.41		1,423.58	
			46,847.01		46,308.70
TOTAL			70,417.77		68,512.57
II. ASSETS					
(1) Non - current assets					
(a) Fixed Assets					
(i) Tangible assets	13	12,991.01		14,310.17	
(ii) Intangible assets	13	63.11		173.82	
(iii) Capital work in progress	14	429.33		395.16	
		13,483.45		14,879.15	
(b) Non - current investments	15	15,513.99		12,703.58	
(c) Deferred tax assets (Net)	6	-		-	
(d) Long term loans and advances	16	1,704.20		1,449.60	
(e) Other non current assets	17	124.11		311.13	
			30,825.75		29,343.46
(2) Current Assets					
(a) Inventories	18	13,500.40		13,174.60	
(b) Trade receivables	19	19,512.78		18,744.11	
(c) Cash and bank balances	20	2,693.11		3,418.64	
(d) Short term loans and advances	21	1,517.31		1,528.54	
(e) Other current assets	22	2,368.42		2,303.22	
			39,592.02		39,169.11
TOTAL			70,417.77		68,512.57
Significant accounting policies and notes attached form an integral part of the Financial Statements	1, 2 23,35 to 53				

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 002878S
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

Alok Kumar Gupta
Joint Managing Director

CS. K S Swapna Latha
General Manager & Assistant Company Secretary

Place : Bangalore
Date : May 30, 2013

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2013.

(₹ in Lakhs)

	Particulars	Note No.	Current Year		Previous Year	
I	**REVENUE FROM OPERATIONS**	24		80,194.27		87,173.97
II	**OTHER INCOME**	25		901.83		576.26
III	**TOTAL REVENUE (I + II)**			81,096.10		87,750.23
IV	**EXPENSES**					
	Cost of materials consumed	26	61,739.59		66,612.43	
	Purchases of stock in trade					
	Changes in inventories of finished goods, work in progress and stock in trade	27	(2,617.84)		(1,026.54)	
				59,121.75		65,585.89
	Employee benefits expense	28		8,296.86		8,012.98
	Finance costs	29		3,357.92		3,830.46
	Depreciation and amortization expense	30		1,703.29		1,838.89
	Other expenses	31		8,063.56		7,481.20
				80,543.38		86,749.42
	Less : Expenses Capitalised			21.05		8.09
	Total Expenses			80,522.33		86,741.33
V	**PROFIT BEFORE TAX (III-IV)**			573.77		1,008.90
VI	**TAX EXPENSES:**					
	Current tax			157.74		52.08
VII	**PROFIT FOR THE PERIOD (V + VI)**			416.03		956.82
VIII	**EARNING PER EQUITY SHARE:**					
	Basic & Diluted	34		0.82		1.73
	Significant accounting policies and notes attached form an integral part of the Financial Statements	1, 2 32,33 35 to 53				

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 002878S
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : May 30, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013.

(₹ in Lakhs)

Particulars	Current year		Previous year	
Cash flows from operating activities				
Profit before taxation		**573.77**		1,008.90
Adjustments for:				
Depreciation & Amortisation	**1,703.29**		1,838.89	
Provisons (Net)	**165.54**		60.52	
Loss on sale of fixed assets	**2.92**		5.75	
Interest received	**(70.37)**		(114.81)	
Dividends received	**(5.62)**		(7.08)	
Finance costs	**3,357.92**		3,830.46	
		5,153.68		5,613.73
		5,727.45		6,622.63
(Increase)/ decrease in trade and other receivables	**(1,165.15)**		1,029.63	
(Increase)/ decrease in inventories	**(325.80)**		(1,557.41)	
Increase/ (decrease) in trade payables & other current liabilities	**(1,373.30)**		(1,407.69)	
		(2,864.25)		(1,935.47)
		2,863.20		4,687.16
Income taxes paid		**70.06**		155.68
Net cash from operating activities		**2,793.14**		4,531.48
Cash flows from investing activities				
Purchase of property, plant and equipment	**(334.56)**		(840.86)	
Proceeds from sale of property, plant and equipment	**1.90**		5.38	
Purchase of investments	**(2,810.41)**		(1,847.57)	
Interest received	**71.26**		106.40	
Reduction in margin money & short term deposits	**83.80**		829.98	
Dividend received	**5.62**		7.08	
Net cash from investing activities		**(2,982.39)**		(1,739.59)
Cash flows from financing activities				
Proceeds from long term borrowings	**-**		72.00	
Repayment of long term borrowings	**(24.08)**		(380.20)	
ICD's Accepted	**12,680.00**		5,485.00	
Repayment of ICD's	**(11,680.00)**		(3,896.06)	
Fixed deposits from public accepted	**1,723.40**		219.90	
Repayment of fixed deposits from public	**(682.90)**		(735.50)	
Repayment of preference share capital	**-**		(773.59)	
Increase/ (decrease) of short term borrowings (net)	**1,132.15**		(166.59)	
Repayment of finance lease obligation	**(215.72)**		(216.00)	
Finance costs	**(3,385.33)**		(3,722.46)	
Net cash from financing activities		**(452.48)**		(4,113.50)
Net increase/(decrease) in cash and cash equivalents		**(641.73)**		(1,321.61)
Cash and cash equivalents at beginning of reporting period		**2,494.52**		3,816.13
Cash and cash equivalents at end of reporting period		**1,852.79**		2,494.52

Cash & Cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:

Cash & bank balances	**2,693.11**	3,418.64
Less: Other bank balances	**840.32**	924.12
Cash and cash equivalents as restated	**1852.79**	2,494.52

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 002878S
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : May 30, 2013

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

1 BACKGROUND:

Kirloskar Electric Company Limited ("the Company") was incorporated in 1946 and is a company engaged in the manufacture and selling of electric motors, alternators, generators, transformers, switchgear, DG sets etc.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles and in accordance with the provisions of the Companies Act, 1956. All income and expenditure, having a material bearing on financial statements, are recognized on an accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 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 less depreciation.

2.4 ASSETS HELD FOR SALE:

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

2.5 INVESTMENTS:

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

2.6 INVENTORIES:

(i) Raw materials, stores, spare parts and components are valued at cost on weighted average basis or net realizable value whichever is lower.

(ii) Work in progress is valued at works cost or net realizable value whichever is lower.

(iii) Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress have been computed based on the weighted average/ average price. Material cost of finished goods has been computed on weighted average basis.

2.7 DEPRECIATION:

(i) 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 March 31, 1994.

(ii) 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.

(iii) 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 month of addition. Furniture and fixtures whose cost is ₹ 5,000/- or below are fully depreciated in the year of addition.

(iv) Depreciation on assets taken on finance lease is charged over the primary lease period.

(v) Depreciation on software is charged over the period of 36 months.

(vi) Depreciation on technical know-how fees and product development are written over a period of six years.

(vii) Project specific tools are depreciated over the life of the project.

(viii) 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 monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹.5,000/- is depreciated fully.

2.8 REVENUE RECOGNITION:

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

(ii) Interest income is recognized on time proportion basis.

(iii) Dividend income is recognized, when the right to receive the dividend is established.

(iv) Rental income is recognized on time proportion basis.

2.9 RESEARCH & DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss in 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.

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

2.10 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 recognized 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 recognized 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 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 as 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 that matches to the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

2.11 FOREIGN CURRENCY TRANSACTIONS:

i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.

(ii) 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 statement of profit and loss.

(iii) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(iv) Branches, which are integral foreign operations are translated as if the transactions are translated at rates prevailing on the date of transaction approximates the actual rate at the date of transaction. Branch monetary assets and liabilities are restated at the year end rates.

(v) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

2.12 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.

2.13 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 the Statement of Profit & Loss.

2.14 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.

2.15 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that 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.

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

	Particulars	As at March 31, 2013		As at March 31, 2012	
		Number	**₹ in Lakhs**	Number	₹ in Lakhs
3	**SHARE CAPITAL:**				
	Authorized:				
	Preference Shares of ₹ 100/- each	**30,00,000**	**3,000.00**	30,00,000	3,000.00
	Equity shares of ₹ 10/- each	**6,00,00,000**	**6,000.00**	6,00,00,000	6,000.00
			9,000.00		9,000.00
	Issued, subscribed and fully paid up:				
	Preference shares of ₹100/- each				
	At the beginning of the reporting period	–	–	7,73,592	773.59
	Redeemed during the reporting period	–	–	7,73,592	773.59
	At the close of the reporting period	–	–	–	–
	Equity shares of ₹10/- each				
	At the beginning of the reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
	At the close of the reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
	Total		**5,052.14**		5,052.14

Other Information:

I. Preference shares:

a. The Company had issued cumulative preference shares of ₹100/- each. The preference shareholders did not have voting rights.

b. 1,176,746 Preference shares (value ₹ 1,176.75 lakhs) were allotted pursuant to a contract without consideration being received in cash. These preference shareholders were alloted to preference share holders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement apporved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment being received in cash.

	As at March 31, 2013		As at March 31, 2012	
	Number	**₹ In lakhs**	Number	₹ In lakhs
c. Preference shares bought back during the five years immediately preceding the date of the balance sheet	**23,76,746**	**2,376.75**	23,76,746	2,376.75

2 Equity shares:

a. The Company has only one class of equity shares having a par value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the equity shares held by the shareholder.

b. Equity Shares of ₹ 10/- each includes:
immediately preceding the date of the balance sheet

(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipments Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. Equity shares so alloted includes 6,174,878 equity shares of ₹ 10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.	**1,72,52,550**	**1,725.26**	1,72,52,550	1,725.26
(ii) Shares alloted during the year 2007-08 to the promoters group in terms of order September 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.	**20,00,000**	**200.00**	20,00,000	200.00
(iii) Shares 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.	**60,00,000**	**600.00**	60,00,000	600.00

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

c. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

		As at March 31, 2013		As at March 31, 2012	
		Number	**Percentage**	Number	Percentage
a.	Abhiman Trading Company Private Limited	**52,17,063**	**10.33%**	83,37,857	16.50%
b.	Vijayjyothi Investments & Agencies Private Limited	**42,57,682**	**8.43%**	67,09,325	13.28%
c.	KECL Investment Trust	**61,74,878**	**12.22%**	61,74,878	12.22%
d.	Mr. Vijay Ravindra Kirloskar	**38,90,811**	**7.70%**	38,90,811	7.70%
e.	Vijaykirti Investments and Agencies Private Limited	**30,64,094**	**6.06%**	27,34,094	5.41%
f.	Life Insurance Corporation of India	**25,76,571**	**5.10%**	25,76,571	5.10%
g.	Vijay Farms Private Limited	**35,40,807**	**7.01%**	NA	NA

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
4.	**RERSERVES AND SURPLUS:**		
a)	**Capital Reserve**		
	At the close of the previous year	**18.06**	18.06
	At the close of the current year	**18.06**	18.06
b)	**Capital redemption reserve**		
	At the close of the previous year	**2,401.75**	2,401.75
	At the close of the current year	**2,401.75**	2,401.75
c)	**Debenture Redemption Reserve**		
	At the close of the previous year	**494.00**	494.00
	At the close of the current year	**494.00**	494.00
d)	**Revaluation Reserve**		
	At the close of the previous year	**480.41**	480.41
	At the close of the current year	**480.41**	480.41
e)	**Reconstruction Reserve**		
	At the close of the previous year	**641.67**	641.67
	At the close of the current year	**641.67**	641.67
f)	**Reserve for Doubtful debts**		
	At the close of the previous year	**90.00**	90.00
	At the close of the current year	**90.00**	90.00
g)	**Surplus i.e. balance in Statement of Profit & Loss**		
	At the close of the previous year	**9,969.75**	9,012.93
	Transferred from Statement of Profit & Loss	**416.03**	956.82
	At the close of the current year	**10,385.78**	9,969.75
	TOTAL CLOSING BALANCE	**14,511.67**	14,095.64

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
5. LONG TERM BORROWING:		
1) Secured Loans:		
a. Finance lease obligations (refer note 45)	**49.96**	265.68
b. Car Loan from a Company	**36.06**	60.14
	86.02	325.82
Less: Current maturities	**67.01**	249.92
	19.01	75.90
2) Unsecured Loans:		
Fixed Deposits	**3,204.82**	2,509.42
	3,204.82	2,509.42
Less: Current Maturities	**1,197.42**	1,291.02
	2,007.40	1,218.40
3) Total long term borrowings (1+2)	**2,026.41**	1,294.30
Additional Information:		
1) Details of security for secured loans:		
a. Against assets purchased on finance lease	**49.96**	265.68
b. Against security of Motor cars	**36.06**	60.14

2) Terms of repayment of term loans and others

a) **Finance lease**
Finance lease relate to Plant & Machinery taken for a period of five years. Interst on such lease is ranging between 13% to 14% p. a. Average equated monthly instalment is ₹18.40 lakhs per month.

b) **Car Loans:**
Car loans are for a period of three to five years and interest rate is about 10% p.a. Average equated monthly instalment is about ₹ 2.30 lakhs per month

3) Unsecured Loans:

a) Fixed deposits are taken for a period of 24 and 36 months with interest rates ranging from 12% to 13%

Particulars	As at March 31, 2013	As at March 31, 2012
6. DEFERRED TAX:		
i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,658.76**	1,765.62
Total	**1,658.76**	1,765.62
ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**741.65**	440.43
b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to)	**917.11**	1,325.19
Total	**1,658.76**	1,765.62
Net Deferred tax (liability)/asset	**–**	–
7. OTHER LONG TERM LIABILITIES:		
Security deposits from suppliers, dealers etc	**715.00**	690.45
	715.00	690.45
8. LONG TERM PROVISIONS:		
Provisions for employee defined benefit plans (refer note 42)	**1,265.54**	1,071.34
	1,265.54	1,071.34
9. SHORT TERM BORROWINGS:		
1) Secured Loans:		
a) Loans repayable on demand		
- from banks	**10,671.58**	9,473.29
b) Loan against pledge of fixed deposit from Bank	**1.07**	43.78
	10,672.65	9,517.07

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
2) Unsecured Loans:		
a) Fixed Deposits	**482.02**	136.92
b) SICOM Sales Tax Loan	**–**	11.19
c) Inter corporate Deposits	**4,020.00**	3,020.00
d) Other Loans and advances	**–**	12.24
	4,502.02	3,180.35
Total	**15,174.67**	12,697.42

Additional Information:

1) Details of security for secured loans

a) First pari passu charge on all current assets and certain fixed assets and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	**10,671.58**	9,473.29
b) Against pledge of fixed deposits	**1.07**	43.78

2) Unsecured loans

a) Fixed deposits are taken for a period of 12 months with interest rate of 11.5%

b) Fixed deposits accepted from related parties amount to ₹ 45 (as at March 31, 2012: ₹ 45)

c) ICDs are taken for periods ranging between 90 to 360 days with interest rates averaging to 16% per annum.

d) Fixed deposits include ₹ 3.02 (as at March 31, 2012: ₹ 2.02) matured unclaimed deposits.

10. TRADE PAYABLES:

i) Trade payables	**13,829.31**	15,570.83
ii) Acceptances	**10,234.25**	7,134.13
	24,063.56	22,704.96

Additional Information:

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:

Sl No	Particulars	As at March 31, 2013	As at March 31, 2012
1	Principal amount due and remaining unpaid	**1,073.23**	598.52
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	**Not ascertained**	Not ascertained
7	Amount of further interest remaining due and payable in succeeding years	**Not ascertained**	Not ascertained

11. OTHER CURRENT LIABILITIES:

a) Current maturities of finance lease obligations	**41.90**	220.90
b) Current maturities of Car Loan from bank and a Company	**25.11**	29.02
c) Current maturities of Fixed Deposit	**1,197.42**	1,291.02
d) Interest accrued but not due on deposits	**192.59**	220.00
e) Statutory liabilities	**589.28**	532.47
f) Other liabilities	**2,535.22**	2,477.63
g) Trade advances	**1,840.85**	4,711.70
	6,422.37	9,482.74

12. SHORT TERM PROVISIONS:

a) Provision for short term compensated absences	**20.45**	20.45
b) Provision for Wage arrears	**172.96**	336.16
c) Provision for Warranty	**389.27**	442.41
d) Provision for stamp duty	**597.06**	619.21
e) Provision for tax (Net of advance tax outside India)	**6.67**	5.35
	1,186.41	1,423.58

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

16. FIXED ASSETS:

(₹ in Lakhs)

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
Particulars	As at 1st April, 2012	Additions for the year	Deductions/ adjustments during the year #	As at March 31, 2013	As at April 1, 2012	For the year	Deductions/ adjustments during the year #	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets										
Own Assets										
Land	1,228.75	-	4.88	1,223.87	-	-	-	-	1,223.87	1,228.75
Building (*)	5,057.21	-	(4.88)	5,062.09	1,506.37	146.82	132.60	1,520.59	3,541.50	3,550.84
Plant & Equipment	15,349.84	93.11	(69.62)	15,512.57	9,246.20	989.72	(150.35)	10,386.27	5,126.30	6,103.64
Tools & Jigs	1,332.44	48.39	-	1,380.83	714.30	83.76	-	798.06	582.77	618.14
Electrical Installations	202.08	4.68	-	206.76	83.09	10.80	-	93.89	112.87	118.99
Motor Vehicles	489.43	-	4.75	484.68	226.76	36.09	1.60	261.25	223.43	262.67
Office Equipments	353.27	21.35	316.22	58.40	236.39	6.61	222.31	20.69	37.71	116.88
Furniture & Fittings	833.04	46.92	(265.10)	1,145.06	568.36	61.26	(176.48)	806.10	338.96	264.68
Leasehold Improvements	313.35	-	-	313.35	43.83	10.47	-	54.30	259.05	269.52
Assets taken on finance lease										
Land ($)	1,451.99	48.47	-	1,500.46	-	-	-	-	1,500.46	1,451.99
Plant & Machinery	1,033.39	-	-	1,033.39	709.32	279.89	(0.09)	989.30	44.09	324.07
	27,644.79	262.92	(13.75)	27,921.46	13,334.62	1,625.42	29.59	14,930.45	12,991.01	14,310.17
Intangible assets										
Goodwill	423.46	-	-	423.46	423.46	-	-	423.46	-	-
Computer Software	458.39	15.32	35.99	437.72	297.01	71.65	(12.17)	380.83	56.89	161.38
Technical knowhow & product development	147.93	-	-	147.93	135.49	6.22	-	141.71	6.22	12.44
	1,029.78	15.32	35.99	1,009.11	855.96	77.87	(12.17)	946.00	63.11	173.82
TOTAL	**28,674.57**	**278.24**	**22.24**	**28,930.57**	**14,190.58**	**1,703.29**	**17.42**	**15,876.45**	**13,054.12**	**14,483.99**
	(29,075.24)	(649.52)	(1,050.19)	(28,674.57)	(12,933.31)	(1,838.89)	(581.62)	(14,190.58)		

Additional information:

1) (*) Includes ₹ 33.37 being the cost of ownership premises taken in possession for which Society is to be formed.
2) ($) Land taken on lease from KIADB aggregates to ₹ 69.58 and from UPSIDC aggregates to ₹ 1,430.88. On expiry of lease periods, payment of balance considerations if any, and execution of sale deeds, the relevant title will pass to the Company.
3) (* $) Leasehold land and buildings aggregating to ₹ 1,570.37 are subject to registration.
4) (#) Figures have been reclassified.

(₹ in Lakhs)

Particulars	**As at March 31, 2013**	As at March 31, 2012
14. CAPITAL WORK IN PROGRESS:		
i) Plant and Machinery	**46.94**	25.70
ii) Building under Construction $	**382.39**	369.46
	429.33	395.16

$ Work on buildings under construction (carrying value of ₹ 151.56 lakhs) has been temporarily suspended. The management will intiate action to complete the building in the ensuing year.

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

15. NON CURRENT INVESTMENTS:

Details of Investments	Name of the Company	As at March 31, 2013 No of Shares	Face Value	₹ in Lakhs	As at March 31, 2012 No. of Shares	Face Value	₹ In Lakhs
a) Investments in Equity Instruments:							
i) Subsidiaries: (Trade) Fully paid up							
	Kirsons BV (refer note 4 below)	**1,889**	**€ 100.00**	**15,458.53**	1,583	€ 100.00	12,648.12
	KEC North America Inc (refer note 5 below)	**210**		**129.36**	210		129.36
ii) Associates: (Trade) Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	**3,00,000**	**MR1**	**5.29**	3,00,000	MR1	5.29
iii) Others Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	**1,081**	**10**	**1.00**	1,081	10	1.00
	Kirloskar Computer Services Limited (refer note 3 below)	**–**	**–**	**–**	2,00,000	10	–
	The Mysore Kirloskar Limited (refer note 3 below)	**7,70,750**	**10**	**–**	7,70,7500	10	–
	Kirloskar Proprietary Limited	**26**	**100**	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.52**	1,272	K.Sh 1,000	8.52
	Kirsons Trading Pte. Limited	**56,250**	**SGD 1**	**11.20**	56,250	SGD 1	11.20
	Kirloskar Power Equipments Limited	**3,40,000**	**10**	**28.17**	3,40,000	10	28.17
b) Investments in debentures or bonds							
i) Others Fully paid up							
	The Mysore Kirloskar Ltd (refer note 3 below)	**30,000**	**44**	**–**	30,000	44	–
Total				**15,643.35**			12,832.94
Less: Provision for diminution in value of investments				**129.36**			129.36
Total				**15,513.99**			12,703.58

Additional Information:

		As at March 31, 2013	As at March 31, 2012
1)	Aggregate value of quoted investments:		
	Cost	**1.00**	1.00
	Market Value	**11.30**	9.59
2)	Aggregate value of unquoted investments:		
	Cost	**15,642.35**	12,831.94

3) (i) Securities in The Mysore Kirloskar Limited and Kirloskar Computer Services Limited have been written off.
   (ii) Kirloskar Computer Services Limited has been wound up during the year.

4) Pledged to Morgan Walker Solicitors LLP, London

5) This Company has been dissolved. However, the investment has not been written off since no approvals have been obtained from Reserve Bank of India. However, full provision has been made for the same.

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
16.	**LONG TERM LOANS AND ADVANCES: (Unsecured and considered good)**		
i)	Capital advances	**93.90**	106.66
ii)	Security Deposits	**342.36**	276.82
iii)	Loans and advances to related parties (Refer Note 41)	**280.00**	280.00
iv)	Disputed statutory liabilities/ taxes paid	**987.94**	786.12
		1,704.20	1,449.60
	Additional information:		
	Amount due from a private company in which a director of the Company is a director	**100.00**	100.00

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
17.	**OTHER NON CURRENT ASSETS: (unsecured and considered good)**		
	i) Long term trade receivables	**105.01**	205.67
	ii) Advance payment of tax -(Net)	**19.10**	105.46
		124.11	311.13
18.	**INVENTORIES:**		
	i) Raw materials, Stores and spares, components (*)	**1,927.96**	4,121.46
	ii) Work in progress	**9,768.10**	7,356.17
	iii) Finished goods	**1,693.94**	1,436.42
	iv) Others (Scrap Stock)	**4.50**	10.67
	Goods in transit:		
	i) Raw materials, Stores and spares, components (*)	**103.30**	201.82
	ii) Finished goods	**2.60**	48.06
		13,500.40	13,174.60
	(*) Stores and spares, components are not seperately ascertainable		
19.	**TRADE RECEIVABLES:**		
	i) Trade receivables exceeding six months	**6,480.92**	7,732.61
	ii) others	**13,704.93**	11,536.55
		20,185.85	19,269.16
	Less: Allowance for doubtful debts	**673.07**	525.05
		19,512.78	18,744.11
	Additional information:		
	1) Breakup of above:		
	i) Unsecured, considered good	**19,512.78**	18,744.11
	ii) Doubtful	**673.07**	525.05
	Total	**20,185.85**	19,269.16
	Less: Allowance for doubtful debts	**673.07**	525.05
		19,512.78	18,744.11
	2) Debts due by private companies in which directors of the Company are directors	**10.99**	5.00
20.	**CASH & BANK BALANCES:**		
	a) Cash and cash equivalents:		
	i) Balances with banks		
	- in other accounts	**1,848.77**	2,488.10
	ii) Cash on hand	**4.02**	6.42
		1,852.79	2,494.52
	b) Other bank balances:		
	i) Balances with banks		
	- in short term deposits	**357.66**	288.50
	- in margin money, security for borrowings, guarantees and other commitments	**482.66**	635.62
		840.32	924.12
	Total (a + b)	**2,693.11**	3,418.64
21.	**SHORT TERM LOANS AND ADVANCES:**		
	i) Loans and advances to related parties (refer note 41)	**561.25**	558.35
	ii) Others	**1,293.24**	1,267.71
		1,854.49	1,826.06
	Less: Allowance for doubtful advances	**337.18**	297.52
		1,517.31	1,528.54
	Additional information:		
	1) Breakup of above:		
	i) Unsecured, considered good	**1,517.31**	1,528.54
	ii) Doubtful	**337.18**	297.52
	Total	**1,854.49**	1,826.06
	Less: Allowance for doubtful advances	**337.18**	297.52
		1,517.31	1,528.54
	2) Debts due by private companies in which directors of the Company are directors	**334.25**	530.22

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
22. OTHER CURRENT ASSETS (specify nature)		
i) Central Excise Receivable	**723.02**	547.74
ii) VAT receivable	**852.31**	962.39
iii) Assets Held for sale - refer note 40	**793.09**	793.09
	2,368.42	2,303.22

23. CONTINGENT LIABILITIES AND COMMITMENTS: (to the extent not provided for)

a) Contingent Liabilities:

i)	Claims against the Company not acknowledged as debts.The Company has made counter claim against one of the parties amounting to ₹129 (as at March 31, 2012 ₹129)	**2,684.82**	2,720.44
ii)	Guarantees	**4,973.74**	5,617.58
iii)	Letters of credit	**17,260.89**	10,160.48
iv)	Bills discounted with Bank	**1,882.36**	2,030.72
v)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 lakhs paid has been included in disputed statutory dues	**91.54**	91.54
vi)	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	**226.60**	183.52
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 930.79 lakhs (as at March 31, 2012 ₹ 701.94 lakhs) against the demand which has been included in disputed statutory dues	**2,684.00**	2,237.80
viii)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	**45.99**	45.99
ix)	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. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
x)	Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xi)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers. Will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
xii)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement	**Not Ascertainable**	Not Ascertainable
xiv)	Income tax demands under appeal	**15.56**	174.98
xv)	Guarantee given to ICICI Bank in consideration of stand by letter of credit 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	**3,573.65**	5,878.54
xvi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Limited to an extent of ₹ 200 lakhs (as at March 31, 2012 ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along along with dividends in arrears of ₹ 205.60 lakhs 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.	**405.60**	405.60
xvii)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,162.49**	1,154.82

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums / settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

b) Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**306.05**	305.99

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

(₹ in Lakhs)

	Particulars	Current year	Previous Year
24.	**REVENUE FROM OPERATIONS:**		
i)	Sale of products		
	Motors, Alternators & generators	**42,138.09**	42,841.55
	Transformers	**28,096.81**	30,147.81
	DG Sets	**10,397.65**	13,508.22
	Others	**6,905.41**	8,095.91
	Total	**87,537.96**	94,593.49
ii)	Sale of services	**874.21**	308.12
		88,412.17	94,901.61
	Less: Excise duty	**8,217.90**	7,727.64
		80,194.27	87,173.97
25.	**OTHER INCOME:**		
i)	Interest income	**70.37**	114.81
ii)	Dividend Income from long term investments	**5.62**	7.08
iv)	Unclaimed credit balance written back	**590.00**	249.45
v)	Rent Received	**46.88**	47.94
vi)	Miscellaneous Income	**188.96**	156.98
		901.83	576.26
26.	**COST OF MATERIALS CONSUMED:**		
	Consumption of raw materials, components, stores & spare parts*	**61,739.59**	66,612.43
		61,739.59	66,612.43
	* Value of stores and spare parts not ascertained separately		
i)	Copper (Wires, strips, rods, sheets etc)	**17,231.97**	14,403.19
ii)	Iron and steel (pigiron, rounds, plates, sheets , etc.,)	**7,942.31**	8,774.52
iii)	Others	**36,565.31**	43,434.72
27.	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:**		
	Stocks at the end of the year		
i)	Work in progress		
	Motors, Alternators & generators	**6,283.55**	4,617.62
	Transformers	**1,737.35**	1,599.66
	DG Sets	**1,596.96**	1,116.60
	Others	**150.24**	22.29
	Total	**9,768.10**	7,356.17
ii)	Finished goods		
	Motors, Alternators & generators	**1,154.02**	1,087.89
	Transformers	**382.84**	249.26
	DG Sets	**105.35**	95.53
	Others	**54.33**	51.80
	Total	**1,696.54**	1,484.48
iii)	Scrap	**4.50**	10.67
		11,469.14	8,851.32
	Less: Stocks at the beginning of the year		
i)	Work in progress		
	Motors, Alternators & generators	**4,617.62**	3,888.33
	Transformers	**1,599.66**	1,692.61
	DG Sets	**1,116.60**	619.95
	Others	**22.29**	100.98
	Total	**7,356.17**	6,301.87
ii)	Finished goods		
	Motors, Alternators & generators	**1,087.89**	869.59
	Transformers	**249.26**	586.79
	DG Sets	**95.52**	59.96
	Others	**51.79**	3.15
	Total	**1,484.46**	1,519.49
iii)	Scrap	**10.67**	3.42
		8,851.30	7,824.78
		(2,617.84)	(1,026.54)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

(₹ in Lakhs)

Particulars		Current year		Previous Year
28. EMPLOYEE BENEFIT EXPENSES:				
i) Salaries, wages and bonus		**6,295.34**		6,595.64
ii) Contribution to provident and other funds		**1,024.16**		532.50
iii) Staff welfare expenses		**977.36**		884.84
		8,296.86		8,012.98
29. FINANCE COSTS:				
i) Interest expense		**2,586.37**		2,809.26
ii) Amortisation of premium on forward contract		**13.86**		–
iii) Loss on derivatives		**–**		266.53
iv) Other borrowing costs		**757.69**		754.67
		3,357.92		3,830.46
30. DEPRECIATION AND AMORTIZATION:				
i) Depreciation		**1,625.42**		1,716.43
ii) Amortization of intangible assets		**77.87**		122.46
		1,703.29		1,838.89
31. OTHER EXPENSES:				
i) Power and fuel		**926.30**		864.74
ii) Rent		**636.73**		656.06
iii) Repairs to buildings		**42.07**		52.45
iv) Repairs to machinery		**226.71**		253.19
v) Repairs to others		**283.86**		266.12
vi) Vehicle maintenance		**37.36**		34.33
vii) Insurance		**40.33**		35.56
viii) Rates and taxes		**130.75**		113.25
ix) Payment to auditors				
- as auditor (includes branch audit fees of ₹ 0.12, previous year ₹ 0.12)	**25.12**		25.12	
- for taxation matters (includes ₹ 0.08, previous year ₹ 0.09 to branch auditor)	**21.58**		20.34	
- for Certification work	**7.00**		5.00	
- for limited review	**15.00**		15.00	
- for reimbursement of expenses	**9.10**		6.53	
		77.80		71.99
x) Selling expenses		**1,494.59**		1,840.99
xi) Commission		**25.94**		102.16
xii) Warranty claims		**573.32**		237.28
xiii) Allowance for doubtful trade receivables		**150.00**		94.00
xiv) Provision for doubtful loans and advances		**39.66**		–
xv) Net (gain)/loss on foreign currency transaction and translation		**92.75**		112.91
xvi) Bad trade receivables written off	**616.71**		734.28	
Less: Allowance for doubtful trade receivable withdrawn	**1.98**		734.28	
		614.73		–
xvii) Irrecoverable loans and advances written off	**–**		552.80	
Less: Allowance for doubtful loans & advances withdrawn	**–**		552.80	
		–		–
xviii) Loss on sale of fixed asset (net)		**2.92**		5.75
xix) Donations		**45.02**		150.00
xx) Legal and professional charges		**655.62**		680.06
xxi) Travelling		**911.29**		954.49
xxii) Printing and stationary		**88.73**		97.97
xxiii) Postage, telgrams & telephones		**172.93**		163.17
xxiv) Directors sitting fees		**10.65**		10.80
xxv) Miscellaneous expenses		**783.50**		683.93
		8,063.56		7,481.20

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

(₹ in Lakhs)

Particulars	Current year	Previous Year
32. PRIOR PERIOD ITEMS:		
i) Income	**0.15**	-
ii) Expenses	**22.67**	197.50
33. ADDITIONAL INFORMATION:		
a) *Value of Imports calculated on CIF basis:*		
i) Raw Materials, Components and spare parts	**5,453.78**	6,528.85
ii) Capital goods	**7.90**	226.27
b) *Expenditure in foreign currency: (net of withholding tax)*		
i) Professional, consultancy and other fees	**23.62**	11.41
ii) Travel	**118.05**	128.50
iii) Investments in wholly owned subsidaiary	**2,810.41**	1,847.57

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	**6,088.63**	**10%**	5,233.67	8%
ii)	Value of indigenous raw materials, spare parts and components consumed	**55,650.96**	**90%**	61,378.76	92%
		61,739.59	**100%**	66,612.43	100%

Particulars	Current year	Previous Year
d) *Details of non-resident shareholdings*		
i) Number of nonresident share holders	**361**	359
ii) Number of shares held by nonresident shareholders	**19,83,270**	19,82,420
e) *Earnings in foreign exchange:*		
i) Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	**6,710.30**	6,984.58
ii) Royalty, Knowhow, professional and consultancy fees	**113.75**	36.59
iii) Dividends received	**5.42**	6.07
iv) Remittances from overseas offices (Net)	**460.14**	626.64
34 Earnings per share: (Basic & diluted)		
Profit for the year after tax expense	**416.03**	956.82
Less:		
Preference dividend payable including dividend tax	**–**	83.08
	416.03	873.74
Weighted average number of equity shares	**5,05,21,367**	5,05,21,367
Earning per share	**0.82**	1.73

35. (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 the 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 Rs.597.06, pending finalization of the matter. Further adjustments, if any will be made as and when correct assessment of stamp duty is made.

(c) Some of 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

36. 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.

37. (a) Confirmation of balances from trade receivables is awaited. Review of certain trade receivables account and advance from customer accounts is under progress and corrections have been carried out to the extent mistakes were identified. Against aggregate trade receivables outstanding as at March 31, 2013 for more than 2 years of ₹ 2,613.52 lakhs, the Company holds allowance for doubtful debts of ₹ 673.07 lakhs. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts. In the assessment of the management, effect on revenue is not expected to be material.

(b) The Company has made significant progress in reconciling balances relating to trade payables, other current liabilities and loans & advances. However, confirmation of balances from few parties is awaited and/or is under review/ reconciliation. In the assessment of the management, effect on revenue is not expected to be material.

(c) Further, on completion of above review an amount of ₹ 614.73 lakhs representing net difference in KSL and KPEL account has been written off under bad trade receivables written off in note 31 of the financial statements and an amount of ₹ 590 lakhs has been withdrawn and shown under unclaimed credit balances written back and reported under note 25 of the financial statements.

38. The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. Further, work in progress at certain units with aggregate carrying value of ₹ 5,658.81 lakhs as at March 31, 2013 includes non moving/old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value is under progress. Further, the procedures for determination of cost or net realizable value in respect of work in progress is to be streamlined to bring the same in line with Accounting Standard (AS) – 2 as referred to in section 211 (3) (C) of the Companies Act, 1956. Management is taking continuing steps to cleanse data, stabilize systems, identify all old/ non moving materials and refine the procedures for determination of cost or net realizable value of work in progress in line with AS – 2. In the assessment of the management, impact on revenue for the year is not expected to be material.

39. (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2013 have been based on moving weighted average and labour/ 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.

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

41. Current Assets, Loans & Advances include ₹ 243.32 (as at March 31, 2012 ₹ 431.93) being rescheduled advances from certain companies in which certain key managerial personnel are interested. The Company is confident that these companies will fulfill their obligations and has considered these amounts as good of recovery.

42. DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":

Defined Contribution Plan:

Contribution to defined contribution plan are recognized as expense for the year are as under: (₹ in Lakhs)

Particulars	Current Year	Previous Year
Employer's contribution to provident & pension funds	**378.00**	355.83
Employer's contribution to superannuation fund	**115.46**	105.29

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

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 Lakhs)

Sl. No.	Particulars	As at March 31, 2013		As at March 31, 2012	
		Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1.	**Reconciliation of opening and closing balances of defined benefit obligation:**				
	Defined Benefit obligation at beginning of the year	**2,383.95**	**480.52**	2,477.03	430.63
	Current Service Cost	**113.14**	**69.57**	119.32	78.37
	Interest Cost	**173.65**	**41.32**	172.56	34.45
	Additional provision for increase in limit of gratuity/ in excess of limit	**74.61**	**–**	25.81	–
	Actuarial (gain)/ loss	**277.43**	**(130.89)**	(133.52)	(62.93)
	Benefits Paid	**(315.15)**	**–**	(277.25)	–
	Defined Benefit obligation at end of the year	**2,707.63**	**460.52**	2,383.95	480.52
2.	**Reconciliation of opening and closing balance of fair value of plan assets:**				
	Fair value of plan assets at beginning of the year	**1,669.97**	**123.16**	1,537.95	44.10
	Expected return on plan assets	**154.48**	**11.81**	144.12	7.62
	Employer Contribution	**264.34**	**5.00**	270.63	73.95
	Benefits paid	**(315.16)**	**(1.77)**	(277.25)	–
	Actuarial gain/(loss)	**(9.22)**	**–**	(5.48)	(2.51)
	Fair value of plan assets at year end	**1,764.41**	**138.20**	1,669.97	123.16
3.	**Reconciliation of fair value of assets and obligations:**				
	Fair value of plan assets	**1,764.41**	**138.20**	1,669.97	123.16
	Present value of obligation	**2,707.63**	**460.52**	2,383.95	480.52
	Amount recognized in Balance Sheet under liabilities	**943.22**	**322.32**	713.98	357.36
4.	**Expense recognized during the year:** (under Note 28 Employee Benefit Expenses in the Statement of Profit and Loss)	**Current Year**		Previous Year	
	Current Service Cost	**113.14**	**69.57**	119.32	78.37
	Interest Cost	**173.65**	**41.32**	172.56	34.45
	Expected return on plan assets	**(154.48)**	**(11.81)**	(144.12)	(7.62)
	Additional provision for increase in limit of gratuity/ in excess of limit	**74.61**	**–**	25.81	–
	Actuarial (gain)/ loss	**286.65**	**(129.12)**	(128.04)	(62.93)
	Net Cost	**493.57**	**(30.04)**	45.53	42.27
5.	**Actuarial assumptions:**	**As at March 31, 2013**		As at March 31, 2012	
	Mortality Table	**Indian Assured Lives (2006 -08) (Ultimate)**	**Indian A Assured Lives (2006 -08) (Ultimate)**	LIC 1994 – 96 (Ultimate)	LIC 1994 – 96 (Ultimate)
	Discount rate (per annum)	**8%**	**8%**	8.60%	8.60%
	Expected rate of return on plan assets (per annum)	**8.15%**	**8.15%**	9.40%	9.40%
	Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

43. 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 company.

(₹ in Lakhs)

	Particulars	Primary Segment			Total
		Power Generation & Distribution Group	Rotating Machine Group	Others	
1	**Segment Revenues**				
	External Revenues	**40,861.21** (46,369.66)	**42,831.63** (41,615.26)	**4,719.32** (6,916.69)	**88,412.16** (94,901.61)
	Intersegment revenues	**654.80** (871.16)	**1,750.19** (2,026.74)	**25.25** (47.93)	**2,430.24** (2,945.83)
	Total Revenues	**41,516.01** (47,240.82)	**44,581.82** (43,642.00)	**4,744.57** (6,964.62)	**90,842.40** (97,847.44)
2	**Segment Results**:				
	Profit Before Taxation and Interest	**2,835.94** (3,328.00)	**4,248.24** (5,026.00)	**1,143.00** (1,667.00)	**8,227.18** (10,021.00)
	Less: Interest				**3,357.92** (3,830.46)
	Less: Depreciation & Amortizations				**1,703.29** (1,838.89)
3	Unallocable Expenditure				**3,494.03** (3,919.01)
4	Unallocable & Other Income (including Extraordinary items)				**901.83** (576.26)
5	Less: Tax expense				**157.74** (52.08)
	Total Profit				**416.03** (956.82)
6	**Segment Assets**	**23,262.20** (20,215.25)	**27,987.68** (26,795.24)	**1,786.94** (4,417.27)	**53,036.82** (51,427.76)
7	**Unallocable Assets**				**17,380.95** (17,084.81)
8	**Segment Liabilities**	**17,656.04** (17,798.59)	**12,705.27** (12,814.35)	**68.51** (1,159.04)	**30,429.82** (31,771.98)
9	**Unallocable Liabilities**				**20,424.14** (17,592.81)
10	**Capital Expenditure**	**40.51** (331.74)	**120.93** (99.20)	**2.18** (14.55)	**163.62** (445.49)
11	**Unallocated capital expenditure**				**114.62** (204.03)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

44. RELATED PARTY DISCLOSURE:

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 Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (up to February 28, 2013) Mr. Alok Kumar Gupta (from March 15, 2013)	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 Kirloskar Electric Charitable Trust Sri Vijayadurga Investments and Agencies Private Limited Vijayjyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijaykirti Investment and Agencies Private Limited Kirloskar Software Services KEC Executives & Other Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which key management personnel and their relatives are able to exercise significant influence

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

DETAILS OF TRANSACTIONS:

(₹ in Lakhs)

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)	**20.69** (59.14)	**Nil** (Nil)	**Nil** (Nil)	**266.41*** (345.15)£
Sale of goods/fixed assets/ services	**113.75** (36.59)	**30.98** (152.65)	**Nil** (Nil)	**351.19#** (199.90)	**5.77^** **(2.63)**
Rent received from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**26.97** (26.47)
Dividend received	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil #** (284)	**Nil** (Nil)
Rent paid	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**407.00##** (396.00)£
Donations Paid to Kirloskar Electric Charitable Trust	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**45.00** (150.00)
Investments as at March 31, 2013	**15,458.53$$$** (12,648.12)	**Nil** (Nil)	**Nil** (Nil)	**5.29#** (5.29)	**28.17++** (28.17)
Investments made during the year	**2,810.41** (1,847.57)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)
Amount due to Company as at March 31, 2013	**37.82** (Nil)	**29.72** (83.39)£	**Nil** (Nil!)	**167.93#** (37.60)	**852.47!** (1,047.45)£
Amount due from Company as at March 31, 2013	**Nil** (Nil)	**138.08** (131.78)£	**Nil** (Nil)	**Nil** (Nil)	**259.73 $$** (206.19)£
Remuneration paid	**Nil** (Nil)	**Nil** (Nil)	**303.72 ^^^** (346.35)£	**Nil** (Nil)	**Nil** (Nil)
Fixed deposit renewed/ accepted during the year	**Nil** (Nil)	**Nil** (Nil)	**45**** (45)	**Nil** (Nil)	**40@** (40)
Fixed deposit outstanding as at March 31, 2013	**Nil** (Nil)	**Nil** (Nil)	**45**** (45)	**Nil** (Nil)	**40@** (40)
Interest on fixed deposit	**Nil** (Nil)	**Nil** (Nil)	**5.16 ***** (4.50)	**Nil** (Nil)	**4.59@@** (3.59)
Redemption of Preference Shares to Abhiman Trading Company Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (4.67)
Guarantees given by the Company and outstanding at the end of the year.	**3,573.64** (5,878.54)	**Nil** (Nil)	**Nil** (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)	**Nil** (Nil)	**12,553.94** (11,504.01)£	**Nil** (Nil)	**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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

* Includes Purchases of goods/ services from Kirloskar Batteries Private Limited ₹ Nil (Previous year ₹ 51.75), Vijay Farms Private Limited ₹ 77.30 (Previous year ₹ 70.58), Sri Vijayadurga Investments and Agencies Private Limited ₹ 109.30 (Previous year ₹ 143.29), Vijayjyothi Investments and Agencies Private Limited ₹ 1.69 (Previous year ₹ 2.73), Ravindu Motors Private Limited ₹ 1.30 (Previous year ₹ 0.97), Vijaykirti Investments Private Limited ₹ 0.48 (Previous year ₹ 1.20), Abhiman Trading Company Private Limited ₹ 70.60 (Previous year ₹ 60.65) and Kirloskar Electric Charitable Trust ₹ 5.74 (Previous year ₹ 13.98).

\# Represents transaction with Kirloskar (Malaysia) Sdn. Bhd.

^ Includes sales to Kirloskar Power Equipments Limited ₹ 5.77 (Previous year ₹ 2.55) and Kirloskar Electric Charitable Trust ₹ Nil (Previous year ₹ 0.08).

\## Includes rent paid to Kirloskar Power Equipments Limited ₹ 251.00 (Previous year ₹ 240.00) and Vijayjyothi Investments and Agencies Private Limited ₹ 156.00 (Previous year ₹ 156.00).

++ Investments in Kirloskar Power Equipments Limited ₹ 28.17(as at March 31, 2012 ₹ 28.17)

! Includes due from Kirloskar Power Equipments Limited ₹ 450.59 (as at March 31, 2012 ₹ 432.34), Vijay Farms Private Limited ₹ 181.87 (as at March 31, 2012 ₹ 181.90), Vijayjyothi Investments and Agencies Private Limited ₹ 111.51 (as at March 31, 2012 ₹ 111.34), Abhiman Trading Company Private Limited ₹ 69.05 (as at March 31, 2012 ₹ 69.05), Vijayadurga Investments and Agencies Private Limited ₹ 31.88 (as at March 31, 2012 ₹ 29.26), Kirloskar Batteries Private Limited ₹ 5.46 (as at March 31, 2012 ₹ 218.77) and Ravindu Motors Private Limited ₹ 2.11 (as at March 31, 2012 ₹ 4.79).

$$ includes amount due to Kirloskar Batteries Private Limited ₹ 25.89 (as at March 31, 2012 ₹ 14.36), Kirloskar Electric Charitable Trust ₹ 0.57 (as at March 31, 2012 ₹ 1.76), Kirloskar Power Equipments Limited ₹ 113.95 (as at March 31, 2012 ₹ 124.20), Vijay Farms Private Limited ₹ 11.12 (as at March 31, 2012 ₹ 8.51), Vijayjyothi Investments and Agencies Private Limited ₹ 79.84 (as at March 31, 2012 ₹ 13.06), Abhiman Trading Company Private Limited ₹ 18.64 (as at March 31, 2012 ₹ 28.25), Vijaydurga Investments and Agencies Private Limited ₹ 9.72 (as at March 31, 2012 ₹ 15.93) and Vijaykirti Investments and Agencies Private Limited ₹ Nil (as at March 31, 2012 ₹ 0.12).

$$$ Includes expenses incurred in connection of acquisition of subsidiary ₹ 909.13.

^^^ Includes paid to Vijay R Kirloskar ₹ 180.79 (Previous year ₹ 208.00), Anuj Pattanaik ₹ 108.66 (Previous year ₹ 129.24), Alok Kumar Gupta ₹ 4.54 (Previous year ₹ Nil), but does not include accrued gratuity, compensated absence (since liability has been recognized for the Company as a whole) free use of company car and communication facilities. Janaki Kirloskar ₹ 2.78 (Previous year ₹ 2.72) and Rukmini Kirloskar ₹ 5.72 (Previous year ₹ 5.49), Meena Kirloskar (sitting fees) ₹ 1.22 (Previous year ₹ 0.90).

** Represents deposits renewed from Meena Kirloskar ₹ 25 (Previous year ₹ 25) and Rukmini Kirloskar ₹ 20 (Previous year ₹ 20)

*** Represents interest paid to Meena Kirloskar ₹ 2.87 (Previous year ₹ 2.88) and Rukmini Kirloskar ₹ 2.29 (Previous year ₹ 1.62)

@ Includes from KEC Executives & Other Officers Welfare Trust ₹ 10.00 (Previous year ₹ 10.00), KEC Officers & Engineers Welfare Trust ₹ 10.00 (Previous year ₹ 10.00), KEC Vice Presidents Welfare Trust ₹ 15.00 (Previous year ₹ 15.00) and KEC Engineers of Mysore Unit Welfare Trust ₹ 5.00 (Previous year ₹ 5.00)

@@ Includes paid to KEC Executives & Other Officers Welfare Trust ₹ 1.15 (Previous year ₹ 0.95), KEC Officers & Engineers Welfare Trust ₹ 1.15 (Previous year ₹ 0.95), KEC Vice Presidents Welfare Trust ₹ 1.72 (Previous year ₹ 1.32) and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.57 (Previous year ₹ 0.37)

£ Recast

45. 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 amounts substantially to the cost of the assets.

(₹ in Lakhs)

Particulars	Total minimum lease payments outstanding as at March 31, 2013	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2013
Within one year	**47.19** (239.94)	**5.29** (19.04)	**41.90** (220.90)
Later than one year but not later than five years	**8.41** (51.02)	**0.35** (6.25)	**8.06** (44.77)
TOTAL	**55.60** (290.96)	**5.64** (25.29)	**49.96** (265.67)

46. 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 ₹ 636.73 (Previous Year ₹ 656.06).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENEDED MARCH 31, 2013

47. The Company has made provisions towards wage arrears, warranty claims from the customers towards sales, short term compensated absences and stamp duty payable. Details of the same are as under:

(₹ in Lakhs)

Particulars	Wage Arrears	Short term Compensated Absences	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	**336.16** (-)	**20.45** (19.00)	**619.21** (659.58)	**442.41** (442.21)
Provision for the year (net)	**163.20** (336.16)	**–** (1.45)	**(22.15)** (-40.37)	**(53.14)** (-)
Balance outstanding at the end of the year	**172.96** (336.16)	**20.45** (20.45)	**597.06** (619.21)	**389.27** (442.41)

48. The Company has entered into forward contracts which were outstanding as on March 31, 2013 for $ 1,136,045 (as at March 31, 2012 Nil) to hedge certain trade payables.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2013 are as under:

Particulars	As at March 31, 2013		As at March 31, 2012	
	FCY	(₹ in Lakhs)	FCY	(₹ in Lakhs)
Assets (Receivables)	**$ 9,23,872** **€ 2,42,728** **£ 6,885**	**662.44**	$ 2,52,776 € 1,85,610 SGD 268,199	757.55
Liabilities (Payables)	**$ 4,38,278** **€ 2,45,833** **£ 517**	**412.30**	$ 11,95,220 € 81,239 £ 2,753	680.86

49. The Company has paid/provided as payable remuneration to the Joint Managing Director amounting to Rs.4.54 lakhs for the period from March 15, 2013 to March 31, 2013. His appointment and remuneration so paid/provided is subject to approval of the members of the Company at the ensuing general meeting.

50. During the year, the Board of Directors of the Company has approved an Employee Stock option scheme. However, the Company had not issued any options as at March 31, 2013 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

51. LDW has incurred substantial losses for the year even though there is a significant increase in its turnover. However, LDW has sufficient orders in hand and is confident of earning profits in the subsequent years. The diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) is considered temporary and no provision is considered necessary.

52. The Income Tax Act, 1961 contains provisions for determination of arm's length price for international transactions between the Company and its associated enterprises as well as in respect of certain specified domestic transactions. The regulations envisage taxation of transactions which are not in consonance with the arms length price so determined, maintenance of prescribed documents and information including furnishing of a report from an accountant before the due date for filing the return of income. For the year ended March 31, 2013, the Company is in the process of complying with the said regulations. Management believes that such transactions have been concluded on an arm's length basis and there would be no additional tax liability for the financial year under consideration as a result of such transactions.

53. Previous year's figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets relates to previous year.

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 002878S
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

Alok Kumar Gupta
Joint Managing Director

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : May 30, 2013

Consolidated

Financial Statements

2012 - 13

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

To,
The Board of Directors,
Kirloskar Electric Company Limited,
Bangalore.

Report on the Financial Statements:

We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company") and its subsidiaries (collectively referred as "the KEC group") as at March 31, 2013, the consolidated Statement of Profit and Loss 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.

Management' s Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the KEC group in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Companies (Accounting Standards) Rules, 2006, as amended. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud and error.

Auditor' s Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of our Qualified Opinion:

(i) *Note 13 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.*

(ii) *Note 39 (a) to the financial statements regarding confirmation of balances from trade receivables being awaited and accounts of certain trade receivables being subject to review/reconciliation/identification of doubtful debts. Debts above two years and considered as good by management is estimated at ₹ 1,940.45 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts.*

(iii) *Note 40 to the financial statements regarding certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time and comprahensive identification / reconciliation of excess/shortages in respect inventories of the parent company is in process. Further, work in progress at certain units as at March 31, 2013 with aggregate carrying value of ₹ 5,658.81 lakhs includes non moving and old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value and reusability is under progress. The determination of* cost or net realizable value in respect of work in progress is not in line with Accounting Standard (AS) – 2.

(iv) *Note 42 to the financial statements regarding realizable value of assets held for sale (₹ 793.09 lakhs) being assessed by management without the support of an external valuation or quotations from prospective buyers.*

In all cases referred to above, effect on revenue, assets and liabilities is not ascertainable. We do not express any independent opinion in these matters.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the said consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2013;

(ii) in the case of the consolidated statement of profit and loss, of the losses for the year ended on that date; and

(iii) In the case of the consolidated cash flow statement for the year ended on that date.

Other Matters:

1. We have not audited the financial statements of the subsidiaries, whose financial statements reflect total assets of ₹ 35,503.43 lakhs (March 31, 2012 ₹ 36,565.01 lakhs) and total revenues for the year of ₹ 27,502.20lakhs (March 31, 2012 ₹ 26,873.83 lakhs). These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it reates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

2. 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, 2013. Consequently, the Company's share in the profits/losses of associates as shown separately in the Statement of Profit and Loss and the value of investments in the consolidated balance sheet is based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year as received from the said associates.

Place : Bangalore
Date : September 2, 2013

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

CA. C R Krishna
Partner
Membership No. 27990

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2013		As at March 31, 2012	
I. EQUITY AND LIABILITIES					
(1) SHAREHOLDERS' FUNDS					
(a) Share Capital	6	5,052.14		5,052.14	
(b) Reserves and Surplus	7	13,426.33		18,278.93	
			18,478.47		23,331.07
(2) MINORITY INTEREST			(46.39)		184.32
(3) NON - CURRENT LIABILITIES					
(a) Long term borrowings	8	3,567.98		5,236.38	
(b) Other long term liabilities	10	715.00		690.45	
(c) Long term provisions	11	1,265.54		1,071.34	
			5,548.52		6,998.17
(4) CURRENT LIABILITIES					
(a) Short term borrowings	12	22,015.65		18,369.96	
(b) Trade payables	13	27,950.72		25,267.56	
(c) Other current liabilities	14	15,109.96		17,467.83	
(d) Short term provisions	15	2,144.81		1,648.35	
			67,221.14		62,753.70
TOTAL			91,201.74		93,267.26
II. ASSETS					
(1) NON - CURRENT ASSETS					
(a) Fixed Assets					
(i) Tangible assets	16	15,997.11		17,658.56	
(ii) Intangible assets	16	706.68		522.28	
(iii) Capital work in progress	17	429.34		395.16	
(iv) Intangible assets under development	17	–		234.05	
		17,133.13		18,810.05	
(b) Goodwill on consolidation		14,662.20		14,555.84	
(c) Non - current investments	18	215.74		209.46	
(d) Deferred tax assets (Net)	9	1,728.83		1,639.38	
(e) Long term loans and advances	19	1,839.72		1,449.60	
(f) Other non current assets	20	131.00		511.95	
			35,710.62		37,176.28
(2) CURRENT ASSETS					
(a) Inventories	21	22,654.34		23,041.61	
(b) Trade receivables	22	24,385.31		23,478.37	
(c) Cash and cash equivalents	23	4,171.16		5,363.01	
(d) Short term loans and advances	24	1,911.35		1,734.73	
(e) Other current assets	25	2,368.96		2,473.26	
			55,491.12		56,090.98
TOTAL			91,201.74		93,267.26
Significant accounting polices and notes to financial statements	1 to 5, 26, 37 to 54				

In accordance with our report attached

For and on behalf of the Board of Directors

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

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. C R KRISHNA
Partner

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : September 2, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

Particulars	Note No.		Current Year		Previous Year
I REVENUE FROM OPERATIONS	**27**		**107,298.51**		109,124.73
II OTHER INCOME	**28**		**1,197.15**		845.00
III TOTAL REVENUE (I + II)			**108,495.66**		109,969.73
IV EXPENSES					
Cost of materials consumed	**29**	**76,008.85**		78,263.78	
Changes in inventories of finished goods, work in progress and stock in trade	**30**	**(1,819.91)**		(5,482.95)	
			74,188.94		72,780.83
Employee benefits expense	**31**		**19,155.68**		17,899.33
Finance costs	**32**		**4,114.09**		4,569.00
Depreciation and amortization expense	**33**		**2,390.43**		2,486.87
Other expenses	**34**		**13,616.92**		12,275.26
			113,466.06		110,011.29
Less: Expenses Capitalised			**79.99**		233.88
Total Expenses			**113,386.07**		109,777.41
V PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)			**(4,890.41)**		192.32
VI EXCEPTIONAL ITEMS	**35**		**16.11**		135.72
VII PROFIT / (LOSS) BEFORE SHARE OF INCOME FROM ASSOCIATES & MINORITY INTEREST (V-VI)			**(4,874.30)**		328.04
VIII TAX EXPENSE:					
(1) Current tax		**310.21**		46.11	
(2) Deferred tax		**(80.50)**		(37.52)	
			229.71		8.59
IX PROFIT / (LOSS) AFTER TAX EXPENSE (VII - VIII)			**(5,104.01)**		319.45
X ADJUSTMENTS					
Add: Share of profit of associates (net of tax)		**6.30**		8.69	
Less: Minority Interest profit/(loss)		**(229.33)**		(15.36)	
			235.63		24.05
XI PROFIT / (LOSS) THE YEAR (IX - X)			**(4,868.38)**		343.50
XII EARNING PER EQUITY SHARE:	**36**				
Basic & diluted			**(9.64)**		0.52
Significant accounting polices and notes to financial statements	**1 to 5, 26, 37 to 54**				

In accordance with our report attached

For and on behalf of the Board of Directors

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

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. C R KRISHNA
Partner

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : September 2, 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

	Current Year		Previous Year	
Cash flows from operating activities				
Profit after taxation		**(4,868.38)**		343.50
Add: tax expense		**229.71**		8.59
		(4,638.67)		352.09
Adjustments for:				
Depreciation & Amortisation	**2,390.43**		2,486.87	
Amortisation & Provisons (Net)	**883.37**		(212.81)	
(Proift) /loss from sale of fixed assets (Net)	**2.41**		(25.05)	
Interest received	**(75.56)**		(126.57)	
Extraordinary items	**(16.11)**		(135.72)	
Dividends received	**(5.62)**		(7.08)	
Interest expenses	**4,114.09**		4,569.00	
		7,293.01		6,548.64
		2,654.34		6,900.73
(Increase)/ decrease in trade and other receivables	**(1,462.90)**		1,152.97	
(Increase)/ decrease in inventories	**387.27**		(6,536.22)	
Increase/ (decrease) in trade payables	**702.74**		1,953.21	
		(372.89)		(3,430.04)
		2,281.45		3,470.69
Income tax paid		**37.40**		391.01
Net cash from operating activities		**2,244.05**		3,079.68
Cash flows from investing activities				
Purchase of property, plant and equipment (including CWIP)	**(718.33)**		(1,928.27)	
Proceeds from sale of property, plant and equipment	**2.41**		146.69	
(Increase)/decrease in value of investments	**(6.28)**		(12.81)	
Increase in goodwill on consolidation	**(106.36)**		(1,025.20)	
Increase /(decrease) in Minority Interest	**(230.71)**		(41.27)	
Increase/ (decrease) in Foreign currency translation reserve	**(6.61)**		1,232.95	
Increase/(decrease) in capital reserve	**22.39**		–	
(Increase)/decrease in other bank balances	**243.12**		909.10	
Interest received	**75.56**		126.57	
Dividend received	**5.62**		7.08	
Net cash from investing activities		**(719.19)**		(585.16)
Cash flows from financing activities				
Proceeds from ICD's	**12,680.00**		5,485.00	
Repayment of ICD's	**(11,680.00)**		(3,896.06)	
Proceeds from long term borrowings	**–**		72.00	
Proceeds from short term borrowings	**2,324.02**		3,053.25	
Fixed deposits from public accepted	**1,723.40**		219.90	
Repayment of fixed deposits from public	**(682.90)**		(735.50)	
Repayment of preference share capital	**–**		(773.59)	
Repayment of long term borrowings	**(2,486.75)**		(2,247.89)	
Repayment of short term borrowings	**(23.43)**		(166.59)	
Repayment of finance lease obligation	**(215.72)**		(216.00)	
Interest paid	**(4,128.32)**		(4,455.43)	
Extraordinary Income	**16.11**		135.72	
Net cash from financing activities		**(2,473.59)**		(3,525.19)
Net increase/(decrease) in cash and cash equivalents		**(948.73)**		(1,030.67)
Cash and cash equivalents at beginning of reporting period		**2,858.75**		3,889.42
Cash and cash equivalents at end of reporting period		**1,910.02**		2,858.75

Cash & Cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:

	Current Year	Previous Year
Cash on hand and bank balances	**4,171.16**	5,363.01
Less: Other bank balances	**2,261.14**	2,504.26
Cash and cash equivalents as restated	**1,910.02**	2,858.75

In accordance with our report attached

For and on behalf of the Board of Directors

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

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. C R KRISHNA
Partner

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager &
Assistant Company Secretary

Place : Bangalore
Date : September 2, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2013. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used is as received from it and is unaudited.

2. 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, they have been prepared to comply in all material aspects with the accounting standards notified under section 211 (3C) (Companies (Accounting Standards) Rules, 2006, as amended) and other relevant provisions of the Companies Act, 1956. The subsidiaries financial statements used for this consolidation are generally in line with Indian GAAP. 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.

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 differences have been adjusted in the statement of profit & loss.

The step down subsidiaries of the Company referred to in note 5 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.

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.

3. 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) Investments in associates have 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.

4. SIGNIFICANT ACCOUNTING POLICIES:

4.1 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.

4.2 ASSETS HELD FOR SALE:

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

4.3 INVESTMENTS:

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

4.4 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued on 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 have been computed based on the weighted average/ average price. Material cost of finished goods has been computed on weighted average basis.

4.5 DEPRECIATION:

Parent Company:

a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on March 31, 1994.

b) In respect of other additions after April 1, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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) Project specific tools are depreciated over the life of the project.

h) 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 monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹ 5,000/- is depreciated fully.

LDW:

a) Depreciation on assets is charged on the straight line basis based on the estimated useful life of the assets as follows:

Sl. No.	Asset category	Useful life
1)	Intangible assets	4 to 10 years
2)	Land & Buildings	25 years
3)	Technical Equipment & Machinery	4 to 21 years
4)	Other equipment, factory & office equipment	3 to 13 years
5)	Technical Knowhow fees and product development	20 years
6)	Assets costing between €410 to €1,000	5 Years
7)	Assets costing less than €410	100% in the year of purchase

4.6 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 in the statement of profit and loss, in the year in which an asset is identified as impaired.

4.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged in the statement of Profit and Loss 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.

4.8 REVENUE RECOGNITION:

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

(b) Interest income is recognised on time proportion basis

(c) Dividend income is recognised, when right to receive the dividend is established.

(d) Rental income is recognized on time propostion basis.

4.9 EMPLOYEE BENEFITS:

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

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

The Company has contributed to provident, pension, superannuation funds and other social security contributions 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 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 as 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 that matches to 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.

4.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

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 statement of profit and loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

e) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period.

4.11 TAXES ON INCOME:

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

4.12 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 Statement of Profit & Loss.

4.13 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the group has a present obligation as a result of a past event and it is probable that the 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 LDW, a floating provision of 1% is made on the doubtful trade receivables.

5. 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)	94.89%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associates:		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33% of its capital is held by LDW	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	30%	Malaysia

6. Share Capital:

Particulars	**As at March 31, 2013**		As at March 31, 2012	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
Authorized:				
Preference Shares of ₹ 100/- each	**30,00,000**	**3,000.00**	30,00,000	3,000.00
Equity shares of ₹ 10/- each	**6,00,00,000**	**6,000.00**	6,00,00,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of ₹ 100/- each				
At the beginning of the reporting period	–	–	7,73,592	773.59
Redeemed during the reporting period	–	–	7,73,592	773.59
At the close of the reporting period	–	–	–	–
Equity shares of ₹ 10/- each				
At the beginning of the reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
At the close of the reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
TOTAL		**5,052.14**		5,052.14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
Other Information:				
1. PREFERENCE SHARES:				
Preference shares bought back during the five years immediately preceding the date of the balance sheet	**23,76,746**	**2,376.75**	23,76,746	2,376.75

2. EQUITY SHARES:

a. The Company has only one class of equity shares having a par value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the equity shares held by the shareholder.

b. Equity Shares of ₹ 10/- each includes:

	As at March 31, 2013		As at March 31, 2012	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipments Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. Equity shares so alloted includes 6,174,878 equity shares of ₹ 10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.	**1,72,52,550**	**1,725.26**	1,72,52,550	1,725.26
(ii) Shares alloted during the year 2007-08 to the promoters group in terms of order September 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.	**20,00,000**	**200.00**	20,00,000	200.00
(iii) Shares 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.	**60,00,000**	**600.00**	60,00,000	600.00

c. **Particulars of equity share holders holding more than 5% of the total number of equity share capital:**

		As at March 31, 2013		As at March 31, 2012	
		Number	**Percentage**	Number	Percentage
a.	Abhiman Trading Company Private Limited	**52,17,063**	**10.33%**	83,37,857	16.50%
b.	Vijay Jyothi Investment& Agencies Private Limited	**42,57,682**	**8.43%**	67,09,325	13.28%
c.	KECL Investment Trust	**61,74,878**	**12.22%**	61,74,878	12.22%
d.	Mr. Vijay Ravindra Kirloskar	**38,90,811**	**7.70%**	38,90,811	7.70%
e.	Vijaykirti Investments and Agencies Private Limited	**30,64,094**	**6.06%**	27,34,094	5.41%
f.	Life Insurance Corporation of India	**25,76,571**	**5.10%**	25,76,571	5.10%
g.	Vijay Farms Private Limited	**35,40,807**	**7.01%**	NA	NA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
7. Reserves and Surplus:		
a) Capital Reserve		
At the close of the previous reporting period	**1,715.90**	1,589.39
Adjustments during the year	**22.39**	126.51
At the close of the reporting period	**1,738.29**	1,715.90
b) Capital redemption reserve		
At the close of the previous reporting period	**2,401.75**	2,401.75
At the close of the reporting period	**2,401.75**	2,401.75
c) Debenture Redemption Reserve		
At the close of the previous reporting period	**494.00**	494.00
At the close of the reporting period	**494.00**	494.00
d) Revaluation Reserve		
At the close of the previous reporting period	**480.41**	480.41
At the close of the reporting period	**480.41**	480.41
e) Reconstruction Reserve		
At the close of the previous reporting period	**641.67**	641.67
At the close of the reporting period	**641.67**	641.67
f) Reserve for Doubtful debts		
At the close of the previous reporting period	**90.00**	90.00
At the close of the reporting period	**90.00**	90.00
g) Foreign currency translation Reserve		
At the close of the previous reporting period	**974.60**	(258.35)
Adjustments on account of exchange fluctuation	**(6.61)**	1,232.95
At the close of the reporting period	**967.99**	974.60
h) Surplus i.e. balance in Statement of Profit & Loss		
At the close of the previous reporting period	**11,480.60**	11,137.10
Transferred from Profit & Loss Account	**(4,868.38)**	343.50
Tranfer to Capital Redemption Rserve	**–**	–
At the close of the reporting period	**6,612.22**	11,480.60
TOTAL CLOSING BALANCE	**13,426.33**	18,278.93
8. Long term Borrowings		
1) Secured Loans:		
a. Finance lease obligations (refer note 48 (a))	**49.96**	265.68
b. Term loans from Banks	**3,994.08**	6,456.75
c. Car Loan from a Company	**36.06**	60.14
	4,080.10	6,782.57
Less: Current maturities	**2,519.52**	2,764.59
	1,560.58	4,017.98
2) Unsecured Loans:		
a. Fixed Deposits	**3,204.82**	2,509.42
	3,204.82	2,509.42
Less: Current Maturities	**1,197.42**	1,291.02
	2,007.40	1,218.40
3) Total long term borrowings (1+2)	**3,567.98**	5,236.38
Additional Information:		
1) Details of security for secured loans:		
a. Against assets purchased on finance lease	**49.96**	265.68
b. Against security of Motor cars	**36.06**	60.14
c. Term loan at LDW is secured by first charge on specific Land and building and Plant & Machinery procured by LDW	**420.43**	578.21
d. Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarnatee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in the favourof ICICI Bank , Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of KEC.	**3,573.65**	5,878.54

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Terms of repayment of term loans and others

a) **Finance lease:**
Finance lease relate to Plant & Machinery taken for a period of five years. Interest on such lease is ranging between 13% to 14% p. a. Average equated monthly instalment is ₹ 18.40 lakhs per month.

b) **Car Loans:**
Car loans are for a period of three to five years and interest rate is about 10% p.a. Average equated monthly instalment is about ₹ 2.30 lakhs per month.

c) Term loan at LDW is repayable in 40 quarterly installments of €25,000 each and carries a interest rate of 3 months Euribor + 2.5%.

d) Term loan of Kirsons BV is repayable in 20 quarterly equal instalments of €850,000 and carrying an interest rate of Euribor + 2%.

3) Unsecured Loans:

a) Fixed deposits are taken for a period of 24 and 36 months with interest rates ranging from 12 % to 13 %.

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
9.	**Deferred tax:**		
	IN INDIA		
	i) Deferred tax liability:		
	a) On account of depreciation on fixed assets	**1,658.76**	1,765.62
	Total	**1,658.76**	1,765.62
	ii) Deferred tax asset:		
	a) On account of timing differences in recognition of expenditure	**741.65**	440.43
	b) On account of Unabsorbed losses and depreciation under Income Tax Act, 1961 (restricted to)	**917.11**	1,325.19
	Total	**1,658.76**	1,765.62
	Net Deferred tax (liability)/asset	**–**	–
	IN GERMANY		
	i) Deferred tax liability:		
	a) Dissolution from supplementary tax balance sheet	**42.90**	–
	b) On account of timing differences in recognition of expenditure	**31.73**	0.46
	Total	**74.63**	0.46
	ii) Deferred tax asset:		
	a) On account of depreciation on fixed assets	**1,207.84**	1,345.24
	b) On account of timing differences in recognition of expenditure	**47.88**	15.58
	c) On account of unabsorbed losses and depreciation available under the relevant fiscal legislations.	**547.74**	279.02
	Total	**1,803.46**	1,639.84
	Net Deferred tax asset	**1,728.83**	1,639.38
	Total Net Deferred tax asset	**1,728.83**	1,639.38
10.	**Other Long term liabilities**		
	Security deposits from supplier, dealers etc	**715.00**	690.45
		715.00	690.45
11.	**Long term Provisions**		
	Provisions for employee defined benefit plans	**1,265.54**	1,071.34
		1,265.54	1,071.34
12.	**Short term Borrowings**		
	1) Secured Loans:		
	a) Loans repayable on demand - from banks	**17,512.56**	15,145.83
	b) Loan against pledge of fixed deposit from Bank	**1.07**	43.78
		17,513.63	15,189.61
	2) Unsecured Loans:		
	a) Fixed Deposits	**482.02**	136.92
	b) SICOM Sales Tax Loan	**–**	11.19
	c) Inter corporate Deposits	**4,020.00**	3,020.00
	d) Other Loans and advances	**–**	12.24
		4,502.02	3,180.35
	Total	**22,015.65**	18,369.96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars			As at March 31, 2013	As at March 31, 2012
	Additional Information:			
1)	**Details of security for secured loans**			
	a)	First pari passu charge on all current assets and certain fixed assets and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company and all the loans carry an interest of about 13% to 14%	**10,671.58**	9,473.29
	b)	Against pledge of fixed deposits	**1.07**	43.78
	c)	Working capital facilities at LDW are secured by first charge on current assets and second charge on all fixed assets exculding assets charged to term lenders a nd carry an interest ranging between 4.9% to 5.35%	**6,840.98**	5,672.54
2)	**Unsecured loans**			
	a)	Fixed deposits are taken for a period of 12 months with interest rates of 11.5%.		
	b)	Fixed deposits accepted from related parties amount to ₹ 45 (as at March 31, 2012: ₹ 45)		
	c)	ICDs are taken for periods ranging between 90 to 360 days with interest rates averaging to 16% per annum.		
	d)	Fixed deposits include ₹ 3.02 (as at March 31, 2012: ₹ 2.02) matured unclaimed deposits.		
13.	**TRADE PAYABLES**			
	i)	Trade payables	**17,716.47**	18,133.43
	ii)	Acceptances	**10,234.25**	7,134.13
			27,950.72	25,267.56

Additional Information:

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:

(₹ in Lakhs)

Sl. No.	Particulars	As at March 31, 2013	As at March 31, 2012
1.	Principal amount due and remaining unpaid	**1,073.23**	598.52
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	**Not ascertained**	Not ascertained
6.	Interest accrued and remaining unpaid	**Nil**	NIL
7.	Amount of further interest remaining due and payable in succeeding years	**Not ascertained**	Not ascertained

(₹ in Lakhs)

Particulars			As at March 31, 2013	As at March 31, 2012
14.	**OTHER CURRENT LIABILITIES:**			
	a)	Current maturities of long term debt	**2,452.51**	2,514.67
	b)	Current maturities of finance lease obligations	**41.90**	220.90
	c)	Current maturities of Car Loan from bank and a Company	**25.11**	29.02
	d)	Current maturities of Fixed Deposits	**1,197.42**	1,291.02
	e)	Current maturities of unsecured loan from bank	**–**	–
	f)	Interest accrued but not due on loans & deposits	**225.90**	240.13
	g)	Statutory liabilities	**716.69**	649.60
	h)	Other liablities	**4,715.05**	4,033.32
	i)	Trade advances	**5,735.38**	8,489.17
			15,109.96	17,467.83
15.	**SHORT TERM PROVISIONS:**			
	a)	Provision for short term compensated absences	**20.45**	20.45
	b)	Provision for Wage arrears	**172.96**	336.16
	c)	Provision for Warranty	**617.01**	667.18
	d)	Provision for stamp duty	**597.06**	619.21
	e)	Provision for Contingencies	**730.51**	–
	f)	Provision for tax (Net of advance tax outside India)	**6.82**	5.35
			2,144.81	1,648.35

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. FIXED ASSETS

(₹ in Lakhs)

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
Particulars	As at April 1, 2012	Additions for the year	Adjustments on account of Exchange Fluctuation	Deductions/ Adjustments during the year #	As at March 31, 2013	As at April 1, 2012	For the year	Adjustments on account of Exchange Fluctuation	Deductions/ Adjustments during the year #	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets **Own assets**												
Land	1,700.70	-	3.43	4.88	1,699.25	-	-	-	-	-	1,699.25	1,700.70
Building (*)	6,141.47	-	12.78	(4.88)	6,159.13	1,842.56	209.96	7.35	132.60	1,927.27	4,231.86	4,298.91
Plant & Machinery	20,036.73	181.80	190.76	(69.62)	20,478.91	12,293.87	1,333.68	172.56	(150.35)	13,950.46	6,528.45	7,742.86
Tools & Jigs	1,332.44	48.39	-	-	1,380.83	714.30	83.75	-	-	798.05	582.78	618.14
Electrical Installations	202.08	4.68	-	-	206.76	83.09	10.81	-	-	93.90	112.86	118.99
Motor Vehicles	526.87	27.03	0.28	4.75	549.43	253.25	43.69	0.21	1.60	295.55	253.88	273.62
Office equipment	2,002.82	73.48	-	316.22	1,760.08	1,407.81	129.02	-	222.31	1,314.52	445.56	595.01
Furniture & Fittings	833.05	46.92	283.03	(265.10)	1,428.10	568.30	61.24	283.21	(176.48)	1,089.23	338.87	264.75
Leasehold Improvements	313.35	-	-	-	313.35	43.83	10.47	-	-	54.30	259.05	269.52
Assets taken on finance lease												
Land ($)	1,451.99	48.47	-	-	1,500.46	-	-	-	-	-	1,500.46	1,451.99
Plant & Machinery	1,033.39	-	-	-	1,033.39	709.32	279.89		(0.09)	989.30	44.09	324.07
	35,574.89	430.77	490.28	(13.75)	36,509.69	17,916.33	2,162.51	463.33	29.59	20,512.58	15,997.11	17,658.56
Intangible assets												
Goodwill	423.46	-	-	-	423.46	423.46	-	-	-	423.46	-	-
Computer Software	1,446.41	167.25	19.36	35.99	1,597.03	936.57	197.48	16.85	(12.17)	1,163.07	433.96	509.84
Technical knowhow & product development	147.93	289.01	1.71	-	438.65	135.49	30.44	-	-	165.93	272.72	12.44
	2,017.80	456.26	21.07	35.99	2,459.14	1,495.52	227.92	16.85	(12.17)	1,752.46	706.68	522.28
TOTAL	**37,592.69** (37,014.34)	**887.03** (1,243.48)	**511.35** (639.15)	**22.24** (1,304.28)	**38,968.83** (37,592.69)	**19,411.85** (17,270.42)	**2,390.43** (2,486.87)	**480.18** (379.76)	**17.42** (725.20)	**22,265.04** (19,411.85)	**16,703.79**	**18,180.84**

Additional information:

* Includes ₹ 33.37 being the cost of ownership premises taken in possession for which Society is to be formed.

$ Land taken on lease from KIADB aggregates to ₹ 69.58. On expiry of lease periods, payment of balance considerations if any, and execution of sale deed, the relevant title will pass to the Company.

* $ Leasehold land and buildings aggregating to ₹ 1,570.37 are subject to registration. Provision has been made for estimated stamp duty and registration charges payable.

\# Figures have been reclassified.

(₹ in Lakhs)

Particulars	**As at March 31, 2013**	As at March 31, 2012
17. CAPITAL WORK IN PROGRESS:		
a) Tangible assets:		
i) Plant and Machinery	**46.95**	25.70
ii) Building under Construction	**382.39**	369.46
	429.34	395.16
b) Intangible assets under development:		
i) Models, Designs & Prototypes	**–**	234.05
	–	234.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. NON CURRENT INVESTMENTS:

Details of Investments	Name of the Company	As at March 31, 2013 No of Shares	Face Value	₹ in Lakhs	As at March 31, 2012 No. of Shares	Face Value	₹ in Lakhs
a) Investments in Equity Instruments:							
i) Associates: (Trade) Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	**3,00,000**	**MR1**	**65.68**	3,00,000	MR1	63.51
	Electrical Machines Industries (Baharin) WLL			**68.96**			64.85
ii) Others Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	**1,081**	**10**	**1.00**	1,081	10	1.00
	Kirloskar Computer Services Limited (refer note 3 below)	**–**	**–**	**–**	2,00,000	10	–
	The Mysore Kirloskar Limited (refer note 3 below)	**7,70,750**	**10**	**–**	7,70,750	10	–
	Kirloskar Proprietary Limited	**26**	**100**	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.53**	1,272	K.Sh 1000	8.53
	Kirsons Trading Pte.Limited	**56,250**	**SGD 1**	**11.20**	56,250	SGD 1	11.20
	Kirloskar Power Equipments Limited	**3,40,000**	**10**	**59.09**	3,40,000	10	59.09
b) Investments in debentures or bonds:							
i) Others Fully paid up							
	The Mysore Kirloskar Ltd (refer note 3 below)	**30,000**	**44**	**–**	30,000	44	–
	Total			**215.74**			209.46
Additional Information:							
1) Aggregate value of quoted investments:							
Cost				**1.00**			1.00
Market Value				**11.30**			9.59
2) Aggregate value of unquoted investments:							
Cost				**214.74**			208.46

3) (i) Securities in The Mysore Kirloskar Limited and Kirloskar Computer Services Limited have been written off.

(ii) Kirloskar Computer Services Limited has been wound up during the year.

(₹ in Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
19. LONG TERM LOANS AND ADVANCES:		
(Unsecured, considered good)		
i) Capital advances	**229.42**	106.66
ii) Security Deposits	**342.36**	323.00
iii) Loans and advances to related parties (refer note 43)	**280.00**	280.00
iv) Disputed tax liabilities/ taxes refundable	**987.94**	739.94
	1,839.72	1,449.60
Additional information:		
Debts from a private company in which a director of the Company is a director	**100.00**	100.00
20. OTHER NON CURRENT ASSETS		
(unsecured, considered good)		
i) Long term trade receivables	**105.01**	205.67
ii) Advance payment of tax -(Net)	**25.99**	306.28
	131.00	511.95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
21.	**INVENTORIES:**		
	i) Raw materials, stores, spares and components	**4,116.31**	6,224.97
	ii) Work in progress	**15,359.48**	15,119.68
	iii) Finished goods	**3,068.15**	1,436.42
	iv) Others	**4.50**	10.67
	Goods in transit:		
	i) Raw materials, stores, spares and components	**103.30**	201.82
	ii) Finished goods	**2.60**	48.05
		22,654.34	23,041.61
22.	**TRADE RECEIVABLES:**		
	i) Trade receivables exceeding six months	**7,109.41**	9,589.00
	ii) others	**18,102.50**	14,561.44
		25,211.91	24,150.44
	Less: Allowance for doubtful debts	**826.60**	672.07
		24,385.31	23,478.37
	Additional information:		
	1) Breakup of above:		
	i) Unsecured, considered good	**24,385.31**	23,478.37
	ii) Doubtful	**826.60**	672.07
	Total	**25,211.91**	24,150.44
	Less: Allowance for doubtful debts	**826.60**	672.07
		24,385.31	23,478.37
	2) Debts due from private companies in which directors of the Company are directors	**10.99**	5.00
23.	**CASH AND CASH EQUIVALENTS:**		
	a) Cash and cash equivalents		
	i) Balances with banks		
	- in deposit accounts not exceeding 3 months maturity	**–**	288.50
	- in other accounts	**1,906.00**	2,544.42
	ii) Cheques, drafts on hand	**–**	–
	iii) Cash on hand	**4.02**	25.83
		1,910.02	2,858.75
	b) Other bank balances		
	i) Balances with banks		
	- in short term depsoits	**357.66**	–
	-in margin money, security for borrowings, guarantees and other commitments	**1,903.48**	2,504.26
		2,261.14	2,504.26
	Total (a+b)	**4,171.16**	5,363.01
24.	**SHORT TERM LOANS AND ADVANCES:**		
	i) Loans and advances to related parties (refer note 43)	**264.82**	558.35
	ii) Others	**1,983.71**	1,473.91
		2,248.53	2,032.26
	Less: Allowance for doubtful advances	**337.18**	297.53
		1,911.35	1,734.73
	Additional information:		
	1) Breakup of above:		
	i) Unsecured, considered good	**1,911.35**	1,734.73
	ii) Doubtful	**337.18**	297.53
	Total	**2,248.53**	2,032.26
	Less: Allowance for doubtful advances	**337.18**	297.53
		1,911.35	1,734.73
	2) Debts due from private companies in which directors of the Company are directors	**334.25**	530.22
25.	**OTHER CURRENT ASSETS:**		
	i) Central Excise Receivable	**723.02**	547.74
	ii) VAT receivable	**852.85**	1,132.43
	iii) Assets Held for sale (refer note 42)	**793.09**	793.09
		2,368.96	2,473.26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CONTINGENT LIABILITIES AND COMMITMENTS:
(to the extent not provided for)

a) Contingent Liabilities:

(₹ in Lakhs)

	Particulars	As at March 31, 2013	As at March 31, 2012
i)	Claims against the Company not acknowledged as debts. The Company has made counter claim against one of the parties amounting to ₹ 129 (as at March 31,2012) ₹ 129).	**2,684.82**	2,720.44
ii)	Guarantees	**11,758.06**	13,078.92
iii)	Letters of credit	**17,260.89**	10,160.48
iv)	Bills discounted with Bank	**1,882.36**	2,030.72
v)	Penal damages levied by the Regional Provident Fund Commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 lakhs paid has been included in disputed statutory dues.	**91.54**	91.54
vi)	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.	**226.60**	183.52
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 930.79 lakhs (as at March 31, 2012 ₹ 701.94 lakhs) against the demand which has been included in disputed statutory dues.	**2,684.00**	2,237.80
viii)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination.	**45.99**	45.99
ix)	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. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
x)	Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xi)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
xii)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement.	**Not Ascertainable**	Not Ascertainable
xiv)	Income tax demands under appeal.	**15.56**	174.98
xv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Limited to an extent of ₹ 200 lakhs (as at March 31, 2012 ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs 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.	**405.60**	405.60
xvi)	Arrears of fixed cumulative dividends on preference shares (including tax thereon).	**1,162.49**	1,154.82

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums / settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

b) Commitments

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**306.05**	305.99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Current Year	Previous Year
27. REVENUE FROM OPERATIONS:		
i) Sale of products		
Motors, Alternators & generators	**69,242.33**	64,792.31
Transformers	**28,096.81**	30,147.81
DG Sets	**10,397.65**	13,508.22
Others	**6,905.41**	8,095.91
Total	**1,14,642.20**	1,16,544.25
ii) Sale of services	**874.21**	308.12
	1,15,516.41	1,16,852.37
Less: Excise duty	**8,217.90**	7,727.64
	1,07,298.51	1,09,124.73
28. OTHER INCOME:		
i) Interest income	**75.56**	126.57
ii) Dividend Income from long term investments	**5.62**	7.08
iii) Profit on sale of fixed assets (Net)	**–**	25.05
iv) Other non operating income	**279.85**	72.18
v) Unclaimed credit balance wriiten back	**670.83**	398.70
vi) Rent Received	**88.43**	89.86
vii) Miscellaneous Income	**76.86**	125.56
	1,197.15	845.00
29. COST OF MATERIALS CONSUMED:		
Consumption of raw materials, components, stores & spare parts*	**76,008.85**	78,263.78
	76,008.85	78,263.78
* Value of stores and spare parts not ascertained separately		
30. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:		
Stocks at the end of the year		
i) Work in progress		
Motors, Alternators & generators	**11,874.93**	12,381.13
Transformers	**1,737.35**	1,599.66
DG Sets	**1,596.96**	1,116.60
Others	**150.24**	22.29
Total	**15,359.48**	15,119.68
ii) Finished goods		
Motors, Alternators & generators	**2,528.23**	1,087.88
Transformers	**382.84**	249.26
DG Sets	**105.35**	95.53
Others	**54.33**	51.80
Total	**3,070.75**	1,484.47
iii) Scrap	**4.50**	10.67
	18,434.73	16,614.82
Less: Stocks at the beginning of the year		
i) Work in progress		
Motors, Alternators & generators	**12,381.13**	7,195.41
Transformers	**1,599.66**	1,692.61
DG Sets	**1,116.60**	619.95
Others	**22.29**	100.98
Total	**15,119.68**	9,608.95
ii) Finished goods		
Motors, Alternators & generators	**1,087.88**	866.18
Transformers	**249.26**	586.79
DG Sets	**95.53**	59.96
Others	**51.80**	6.57
Total	**1,484.47**	1,519.50
iii) Scrap	**10.67**	3.42
	16,614.82	11,131.87
	(1,819.91)	(5,482.95)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars		Current Year		Previous Year
31.	**EMPLOYEE BENEFIT EXPENSES:**				
	i) Salaries, wages and bonus		**15,296.54**		14,849.52
	ii) Contribution to provident and other funds		**2,740.68**		1,958.83
	iii) Staff welfare expenses		**1,118.46**		1,090.98
			19,155.68		17,899.33
32.	**FINANCE COSTS:**				
	i) Interest expense		**3,299.96**		3,503.53
	ii) Amortisation of premium on forward contract		**13.86**		–
	ii) Loss on derivatives		**–**		311.49
	iii) Other borrowing costs		**800.27**		753.98
			4,114.09		4,569.00
33.	**DEPRECIATION AND AMORTIZATION:**				
	i) Depreciation		**2,359.99**		2,268.12
	ii) Amortization of intangible assets		**30.44**		218.75
			2,390.43		2,486.87
34.	**OTHER EXPENSES:**				
	i) Power and fuel		**1,527.51**		1,427.75
	ii) Rent		**829.25**		830.44
	iii) Repairs to buildings		**130.55**		214.10
	iv) Repairs to machinery		**272.57**		373.64
	v) Repairs to others		**720.12**		659.79
	vi) Vehicle maintenance		**75.17**		34.33
	vii) Insurance		**489.20**		402.49
	viii) Rates and taxes		**177.98**		157.65
	ix) Payment to the auditors		**131.58**		107.34
	x) Selling expenses		**2,515.78**		2,709.77
	xi) Commission		**466.51**		429.51
	xii) Warranty claims		**605.44**		237.28
	xiii) Allowance for doubtful trade receivables		**155.52**		94.00
	xiv) Provision for doubtful loans and advances		**39.66**		–
	xv) Net loss on foreign currency transaction		**165.37**		394.24
	xvi) Bad trade receivables written off	**616.71**		751.95	
	Less: Allowance for doubtful trade receivable withdrawn	**1.98**	**614.73**	751.95	–
	xvii) Irrecoverable loans and advances written off	**–**		552.79	
	Less: Allowance for doubtful loans and advances withdrawn	**–**	**–**	552.79	
	xviii) Provision for contigency loss		**735.40**		–
	xix) Loss on sale of fixed asset (net)		**2.41**		–
	xx) Donations		**50.11**		157.69
	xxi) Legal and professional charges		**1,138.81**		1,357.68
	xxii) Travelling		**1,365.54**		1,324.99
	xxiii) Printing and stationary		**111.97**		97.97
	xxiv) Postage, telegrams & telephones		**226.17**		163.17
	xxv) Directors sitting fees		**10.65**		10.80
	xxvi) Miscellaneous expenses		**1,058.92**		1,090.63
			13,616.92		12,275.26
35.	**PRIOR PERIOD ITEMS:**				
	i) Income		**0.15**		–
	ii) Expenses		**22.67**		197.50
36.	**EARNINGS PER SHARE:**				
	(Basic & diluted)				
	Profit for the year after tax expense		**(4,868.38)**		343.50
	Less:				
	Preference dividend payable including dividend tax		**–**		83.08
			(4,868.38)		260.42
	Weighted average number of equity shares		**5,05,21,367**		5,05,21,367
	Earning per share		**(9.64)**		0.52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. (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 Equipments 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 ₹ 597.06 lakhs pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made.

(c) Some of the assets & liabilities transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company.

38. 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.

39. (a) Confirmation of balances from trade receivables is awaited. Review of certain trade receivables account and advance from customer accounts is under progress and corrections have been carried out to the extent mistakes were identified. Against aggregate trade receivables outstanding as at March 31, 2013 for more than 2 years of ₹ 2,613.52 lakhs, the Company holds allowance for doubtful debts of ₹ 673.07 lakhs. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts. In the assessment of the management, effect on revenue is not expected to be material.

(b) The Company has made significant progress in reconciling balances relating to trade payables, other current liabilities and loans & advances. However, confirmation of balances from few parties is awaited and/or is under review/ reconciliation. In the assessment of the management, effect on revenue is not expected to be material.

(c) Further, on completion of above review an amount of ₹ 614.73 lakhs representing net difference in KSL and KPEL account has been written off under bad trade receivables written off in note 34 of the financial statements and an amount of ₹ 590 lakhs has been withdrawn and included under unclaimed credit balances written back and reported under note 28 of the financial statements.

40. The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. Further, work in progress at certain units with aggregate carrying value of ₹ 5,658.81 lakhs as at March 31, 2013 includes non moving/ old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value is under progress. Further, the procedures for determination of cost or net realizable value in respect of work in progress is to be streamlined to bring the same in line with Accounting Standard (AS) – 2 as referred to in section 211 (3) (C) of the Companies Act, 1956. Management is taking continuing steps to cleanse data, stabilize systems, identify all old/ non moving materials and refine the procedures for determination of cost or net realizable value of work in progress in line with AS – 2. In the assessment of the management, impact on revenue for the year is not expected to be material.

41. (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2013 have been based on moving weighted average and labour/ 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.

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

43. Current Assets, Loans & Advances include ₹ 243.32 (as at March 31, 2012 ₹ 431.93) being rescheduled advances from certain companies in which certain key managerial personnel are interested. The Company is confident that these companies will fulfill their obligations and has considered these amounts as good of recovery.

44. Lloyd Dynamowerke GmbH & Co. KG, Germany (“LDW”) a step down subsidiary of the Company has incurred substantial losses affecting its networth as per the audited financial statements for the year ended March 31, 2013. However, the Company has carried out a valuation of its subsidiary Kirsons BV (immediate holding company of LDW) and LDW by an independent agency and according to the Company there is no diminution in the value of investments carried in the Company’s books as at March 31, 2013 ₹ 15,458.53 lakhs. Further, according to the Company LDW has sufficient orders in hand and is confident of earning profits in the subsequent years. Under these circumstances the Company has determined that there is no impairment in value of the Goodwill and consequently no adjustments have been made in this respect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":

(a) Defined Contribution Plan:

Contribution to defined contribution plan are recognized as expense for the year are as under:

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Employer's Contribution to Provident & Pension Funds	**378.00**	355.83
Employer's Contribution to Superannuation fund	**115.46**	105.29
Employer's Contribution to Social Security at LDW	**1,716.52**	1,426.33

(b) 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 Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	**2,383.95**	**480.52**	2,477.03	430.63
Current Service Cost	**113.14**	**69.57**	119.32	78.37
Interest Cost	**173.65**	**41.32**	172.56	34.45
Additional provision for increase in limit of gratuity/ in excess of limit	**74.61**	**–**	25.81	–
Actuarial (gain)/ loss	**277.43**	**(130.89)**	(133.52)	(62.93)
Benefits Paid	**(315.15)**	**–**	(277.25)	–
Defined Benefit obligation at end of the year	**2,707.63**	**460.52**	2,383.95	480.52
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**1,669.97**	**123.16**	1,537.95	44.10
Expected return on plan assets	**154.48**	**11.81**	144.12	7.62
Employer Contribution	**264.34**	**5.00**	270.63	73.95
Benefits paid	**(315.16)**	**(1.77)**	(277.25)	–
Actuarial gain/(loss)	**(9.22)**	**–**	(5.48)	(2.51)
Fair value of plan assets at year end	**1,764.41**	**138.20**	1,669.97	123.16
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**1,764.41**	**138.20**	1,669.97	123.16
Present value of obligation	**2,707.63**	**460.52**	2,383.95	480.52
Amount recognized in Balance Sheet under liabilities	**943.22**	**322.32**	713.98	357.36
4. Expense recognized during the year: (under Note 31 Employee Benefit Expenses in the Statement of Profit and Loss)	**Current Year**		Previous Year	
Current Service Cost	**113.14**	**69.57**	119.32	78.37
Interest Cost	**173.65**	**41.32**	172.56	34.45
Expected return on plan assets	**(154.48)**	**(11.81)**	(144.12)	(7.62)
Additional provision for increase in limit of gratuity/ in excess of limit	**74.61**	**–**	25.81	–
Actuarial (gain)/ loss	**286.65**	**(129.12)**	(128.04)	(62.93)
Net Cost	**493.57**	**(30.04)**	45.53	42.27

5. Actuarial assumptions:	**As at March 31, 2013**		As at March 31, 2012	
Mortality Table	**Indian Assured Lives (2006 -08) (Ultimate)**	**Indian Assured Lives (2006 -08) (Ultimate)**	LIC 1994 – 96 (Ultimate)	LIC 1994 – 96 (Ultimate)
Discount rate (per annum)	**8%**	**8%**	8.60%	8.60%
Expected rate of return on plan assets (per annum)	**8.15%**	**8.15%**	9.40%	9.40%
Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

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.
There are no defined benefit plans at LDW.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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.

	Particulars	Primary Segment (₹ In lakhs)			
		Power Generation & Distribution Group	Rotating Machine Group	Others	Total
1.	**Segment Revenues:**				
	External Revenues	**40,861.21**	**69,935.88**	**4,719.32**	**115,516.41**
		(46,369.66)	(63,566.02)	(6,916.69)	(1,16,852.37)
	Add: Intersegment revenues	**654.80**	**1,750.19**	**25.25**	**2,430.24**
		(871.16)	(2,026.74)	(47.93)	(2,945.83)
	Total Revenues	**41,516.01**	**71,686.07**	**4,744.57**	**117,946.65**
		(47,240.82)	(65,592.76)	(6,964.62)	(1,19,798.20)
2.	**Segment Results**	**2,835.94**	**243.67**	**1,143.00**	**4,222.61**
		(2,953.15)	(5,994.33)	(2,722.97)	(11,670.45)
3.	Interest Expenditure				**4,114.09**
					(4,569.00)
4.	Depreciation & Amortisation				**2,390.43**
					(2,486.87)
5.	Unallocable Expenditure				**3,123.92**
					(4,551.02)
6.	Unallocable & Other Income				**531.53**
					(264.48)
7.	Tax Expenses				**229.71**
					(8.59)
8.	Share of Profits/(Losses) in the Associates (Net)				**6.30**
					(8.69)
9.	Minority Interest - Share of Profits/ (Losses)				**(229.33)**
					(-15.36)
10.	Profits/(Loss) after tax				**(4,868.38)**
					(343.50)
11.	Segment Assets	**10,986.55**	**17,155.93**	**1,786.94**	**29,929.42**
		(17,128.78)	(35,557.98)	(1,677.82)	(54,364.58)
12.	Unallocable Assets				**61,272.32**
					(38,902.68)
13.	Segment Liabilities	**17,656.04**	**34,620.97**	**2,209.55**	**54,486.56**
		(17,667.79)	(26,609.91)	(681.18)	(44,958.88)
14.	Unallocable Liabilities				**18,283.10**
					(24,792.99)
15.	Capital Expenditure	**36.88**	**459.57**	**2.18**	**498.63**
		(331.74)	(928.00)	(14.55)	(1,274.29)
16.	Unallocable Capital Expenditure				**388.40**
					(203.24)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Geographical Segment:

(₹ in Lakhs)

	Segment revenue by geographical market	
Particulars	**Current Year**	Previous Year
Sales in India	**88,412.17**	91,120.02
Sales outside India	**27,104.24**	25,732.35
TOTAL	**1,15,516.41**	1,16,852.37

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

(₹ in Lakhs)

	Carrying amounts of segment assets		Additions to fixed assets & intangible assets	
	As at March 31, 2013	As at March 31, 2012	**Current Year**	Previous Year
Located in India	**54,843.39**	55,684.18	**567.26**	649.53
Located outside India	**36,358.35**	37,579.67	**319.77**	828.00
TOTAL	**91,201.74**	93,263.85	**887.03**	1,477.53

47. RELATED PARTY DISCLOSURE:

Sl No.	Name of the Related Party	Relationship
1.	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (upto February 28, 2013) Mr. Alok Kumar Gupta (from March 15, 2013)	Key Management Personnel and their relatives ("KMP")
2.	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) 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 Vijayadurga Investments & Agencies Private Limited Vijayjyothi Investments & Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investments Private Limited Vijaykirti Investment and Agencies Private Limited Kirloskar Software Services Kirloskar Electric Charitable Trust KEC Executives & Other Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which KMP are able to exercise significant influence

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF TRANSACTIONS:

(₹ in Lakhs)

Nature of Transactions	KMP	Associates	Enterprise in which KMP are able to excercise significant influence
Purchase of goods/ services	**Nil** (Nil)	**Nil** (Nil)	**266.41*** (345.15) £
Sale of goods/ fixed assets/ services	**Nil** (Nil)	**351.19 #** (199.90)	**5.77^** (2.63)
Rent received from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**26.97** (26.47)
Dividend received	**Nil** (Nil)	**Nil #** (284.00)	**Nil** (Nil)
Rent Paid	**Nil** (Nil)	**Nil** (Nil)	**407.00** ## (396.00) £
Donations Paid to Kirloskar Electric Charitable Trust	**Nil** (Nil)	**Nil** (Nil)	**45.00** (150.00)
Remuneration paid	**303.72** ^^ (346.35) £	**Nil** (Nil)	**Nil** (Nil)
Interest paid on fixed deposits	**5.16** $ (4.50)	**Nil** (Nil)	**4.59** ! (3.59)
Investments as at March 31, 2013	**Nil** (Nil)	**134.64+** (128.36)	**28.17**++ (28.17)
Amount due to the Company as at March 31, 2013	**Nil** (Nil)	**167.93 #** (37.60)	**852.47** !! (1,047.45) £
Amount due from the Company as at March 31, 2013	**Nil** (Nil)	**Nil** (Nil)	**259.73**$$ (206.19) £
Fixed deposit renewed/ accepted during the year	**45.00** ** (45.00)	**Nil** (Nil)	**40.00** @ (40.00)
Fixed deposits outstanding as at March 31, 2013	**45.00** ** (45.00)	**Nil** (Nil)	**40.00** @ (40.00)
Redemption of Preference Shares to Abhiman Trading Company Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** @ (4.67)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	**12,553.94** (11,504.01) £	**Nil** (Nil)	**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 ₹ Nil (Previous year ₹ 51.75), Vijay Farms Private Limited ₹ 77.30 (Previous year ₹ 70.58), Sri Vijayadurga Investments and Agencies Private Limited Rs.109.30 (Previous year ₹ 143.29), Vijayjyothi Investments and Agencies Private Limited ₹ 1.69 (Previous year ₹ 2.73), Ravindu Motors Private Limited ₹ 1.30 (Previous year ₹ 0.97), Vijaykirti Investments Private Limited ₹ 0.48 (Previous year ₹ 1.20), Abhiman Trading Company Private Limited ₹ 70.60 (Previous year ₹ 60.65) and Kirloskar Electric Charitable Trust ₹ 5.74 (Previous year ₹ 13.98).

\# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Power Equipments Limited ₹ 5.77 (Previous year ₹ 2.55) and Kirloskar Electric Charitable Trust ₹ Nil (Previous year ₹ 0.08).

\## Includes rent paid to Kirloskar Power Equipments Limited ₹ 251.00 (Previous year ₹ 240.00) and Vijayjyothi Investments and Agencies Private Limited ₹ 156.00 (Previous year ₹ 156.00).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

^^ Includes paid to Vijay R Kirloskar ₹ 180.79 (Previous year ₹ 208.00), Anuj Pattanaik ₹ 108.66 (Previous year ₹ 129.24), Alok Kumar Gupta ₹ 4.54 (Previous year ₹ Nil) but does not include accrued gratuity, compensated absence (since liability has been recognized for the Company as a whole) free use of company car and communication facilities. Janaki Kirloskar ₹ 2.78 (Previous year ₹ 2.72) and Rukmini Kirloskar ₹ 5.72 (Previous year ₹ 5.49), Meena Kirloskar ₹ 1.22 (Previous year ₹ 0.90).

$ Represents interest paid to Meena Kirloskar ₹ 2.87 (Previous year ₹ 2.88) and Rukmini Kirloskar ₹ 2.29 (Previous year ₹ 1.62).

! Includes paid to KEC Executives & Other Officers Welfare Trust ₹ 1.15 (Previous year ₹ 0.95), KEC Officers & Engineers Welfare Trust ₹ 1.15 (Previous year ₹ 0.95), KEC Vice Presidents Welfare Trust ₹ 1.72 (Previous year ₹ 1.32) and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.57 (Previous year ₹ 0.37).

\+ Includes investments in Kirloskar (Malaysia) Sdn Bhd. ₹ 65.68 (as at March 31, 2012 ₹ 63.51) and Electrical Machines Industries (Bahrain) WLL ₹ 68.96 (as at March 31, 2012 ₹ 64.85).

++ Investments in Kirloskar Power Equipments Limited ₹ 59.09 (as at March 31, 2012 ₹ 59.09).

!! Includes due from Kirloskar Power Equipments Limited ₹ 450.59 (as at March 31, 2012 ₹ 432.34), Vijay Farms Private Limited ₹ 181.87 (as at March 31, 2012 ₹ 181.90), Vijayjyothi Investments and Agencies Private Limited ₹ 111.51 (as at March 31, 2012 ₹ 111.34), Abhiman Trading Company Private Limited ₹ 69.05 (as at March 31, 2012 ₹ 69.05), Vijayadurga Investments and Agencies Private Limited ₹ 31.88 (as at March 31, 2012 ₹ 29.26), Kirloskar Batteries Private Limited ₹ 5.46 (as at March 31, 2012 ₹ 218.77) and Ravindu Motors Private Limited ₹ 2.11 (as at March 31, 2012 ₹ 4.79).

$$ Includes amount due to Kirloskar Batteries Private Limited ₹ 25.89 (as at March 31, 2012 ₹ 14.36), Kirloskar Electric Charitable Trust ₹ 0.57 (as at March 31, 2012 ₹ 1.76), Kirloskar Power Equipments Limited ₹ 113.95 (as at March 31, 2012 ₹124.20), Vijay Farms Private Limited ₹ 11.12 (as at March 31, 2012 ₹ 8.51), Vijayjyothi Investments and Agencies Private Limited ₹ 79.84 (as at March 31, 2012 ₹ 13.06), Abhiman Trading Company Private Limited ₹18.64 (as at March 31, 2012 ₹ 28.25), Vijayadurga Investments and Agencies Private Limited ₹ 9.72 (as at March 31, 2012 ₹15.93) and Vijaykirti Investments and Agencies Private Limited ₹ Nil (as at March 31, 2012 ₹ 0.12).

** Represents deposits renewed from Meena Kirloskar ₹ 25 (Previous year ₹ 25) and Rukmini Kirloskar ₹ 20 (Previous year ₹ 20).

@ Includes from KEC Executives & Others Officers Welfare Trust ₹ 10.00 (Previous year ₹ 10.00), KEC Officers & Engineers Welfare Trust ₹ 10.00 (Previous year ₹ 10.00), KEC Vice Presidents Welfare Trust ₹ 15.00 (Previous year ₹ 15.00) and KEC Engineers of Mysore Unit Welfare Trust ₹ 5.00 (Previous year ₹ 5.00).

£ Recast

48. (a) 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 amounts substantially to the cost of the assets.

(₹ in Lakhs)

Particulars	Total minimum lease payments outstanding as at March 31, 2013	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2013
Within one year	**47.19** (239.94)	**5.29** (19.04)	**41.90** (220.90)
Later than one year but not later than five years	**8.41** (51.02)	**0.35** (6.25)	**8.06** (44.77)
TOTAL	**55.60** (290.96)	**5.64** (25.29)	**49.96** (265.67)

(b) Operating Leases:

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 ₹ 829.25 (Previous Year ₹ 830.44).

49. The Company has made provisions towards wage arrears, warranty claims from the customers towards sales, short term compensated absences and stamp duty payable. Details of the same are as under:

(₹ in Lakhs)

Particulars	Wage Arrears	Contingencies	Stamp Duty	Short term Compensated Absences	Warranty Claims
Balance outstanding at the beginning of the year	**336.16** (-)	**–** (-)	**619.21** (659.58)	**20.45** (19.00)	**667.18** (714.44)
Provision for the year (Net)	**163.20** (336.16)	**730.51** (-)	**(22.15)** (-40.37)	– (1.45)	**(50.17)** (-26.93)
Balance outstanding at the end of the year	**172.96** (336.16)	**730.51** (-)	**597.06** (619.21)	**20.45** (20.45)	**617.01** (667.18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. The following derivative contracts are outstanding at the end of the year:

a)	**Particulars**	**As at Current reporting Period**	As at Pervious reporting Period
	Forward Contracts to hedge certain trade payables	**$11,36,045**	Nil
	Interest rate swap with banks whose expiry date upto August 30, 2016	**€ 3 Million**	€ 3 Million

b) The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2013 are as under:

Particulars	**As at Current reporting Period**		As at Pervious reporting Period	
	FCY	(₹ in Lakhs)	FCY	(₹ in Lakhs)
Assets (Receivables)	**$ 9,23,872** **€ 2,42,728**	**662.44**	$ 2,52,776 € 1,85,610	757.55
Liabilities (Payables)	**£ 6,885** **$ 4,38,278** **€ 2,45,833** **£ 517**	**412.30**	SGD 2,68,199 $ 11,95,220 € 81,239 £ 2,753	680.86

51. The Company has paid/provided as payable remuneration to the Joint Managing Director amounting to ₹ 4.54 lakhs for the period from March 15, 2013 to March 31, 2013. His appointment and remuneration so paid/provided is subject to approval of the members of the Company at the ensuing general meeting.

52. During the year, the Board of Directors of the Company has approved an Employee Stock option scheme. However, the Company had not issued any options as at March 31, 2013 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

53. The Income Tax Act, 1961 contains provisions for determination of arm's length price for international transactions between the Company and its associated enterprises as well as in respect of certain specified domestic transactions. The regulations envisage taxation of transactions which are not in consonance with the arms length price so determined, maintenance of prescribed documents and information including furnishing of a report from an accountant before the due date for filing the return of income. For the year ended March 31, 2013, the Company is in the process of complying with the said regulations. Management believes that such transactions have been concluded on an arm's length basis and there would be no additional tax liability for the financial year under consideration as a result of such transactions.

54. Previous year's figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets relates to previous year.

In accordance with our report attached

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

CA. C R KRISHNA
Partner

Place : Bangalore
Date : September 2, 2013

For and on behalf of the Board of Directors

Vijay R Kirloskar
Chairman & Managing Director

Alok Kumar Gupta
Joint Managing Director

CA. Vinayak Narayan Bapat
Vice President & Chief Financial Officer

CS. K S Swapna Latha
General Manager & Assistant Company Secretary

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	
Sl. No.	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	For the financial year ended 31st March, 2013	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31st March, 2013	For the previous financial years of the subsidiary companies since they became the holding Company's subsidiary
1	Kirsons B.V.	31.3.2013	11.8.2008	1889 sharesof € 100 each	100%	€ (103947)	€ (1036508)	–	–
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2013	1.9.2008	€ 3160000 Capital	94.89%	€ (6459870)	€ 3734214	–	–
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2013	1.9.2008	€ 25000 Capital	100%	€ 1234	€ 3587	–	–

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ALOK KUMAR GUPTA
Joint Managing Director

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

CS. K S SWAPNA LATHA
General Manager &
Asst. Company Secretary

Place : Bangalore
Date : September 2, 2013

KIRSONS B.V.

Amsterdam, Netherlands

Annual Report 2012 – 2013

Report of the auditor
Ozlo Accountants

To the Board of Managing Directors of
Kirsons B.V.
Prins Bemhardplein 200
1097 JB AMSTERDAM

Oostzaan, July 24, 2013

Dear Sirs,

According to your assignment we have audited the financial statements for the year 2012-2013 (ending March 31, 2013) of Kirsons B.V. in Amsterdam (Netherlands).

1 GENERAL INFORMATION

1.1 Scope of engagement

According to your assignment we have audited the financial statement 2012-2013 of Kirsons B.V. in Amsterdam (Netherlands). These financial statements are the responsibility of the management of the company. Our responsibility is to express an opionon on these financial statements based on our audit. These financial statements are stated on the pages 6 up to and including 17 of this report.

1.2 Registration

The company is first registered under number 34308680 in the trade register of the Chamber of Commerce in Amsterdam on August 11, 2008. The companies' activities have started at August 11,2008.

1.3 Activities of the company

The activities of the company consist of rendering advisory services and trading of electric motors and other products.

1.4 Management

At the end of this financial year the management of the company was carried out by Mr. Vijay R. Kirloskar, Mr. Vinayak N. Bapat and Mr. Pralhad P. Katti.

The auditor's report is stated under "Other information" on page 85 of this report.

We hope to have served you duly in this matter. We are willing to give further explanation if requested.

Yours sincerely,

Drs. Gerrit C. Groen RA

Balance Sheet as at 31st March, 2013

		March 31, 2013		March 31, 2012	
ASSETS		€	€	€	€
Fixed Assets					
Intangible fixed assets	(1)				
Intellectual property			1.270.000,00		–
Financial fixed assets	(2)				
Subsidiaries			30.115.148,77		23.188.091,48
Current assets					
Receivables	(3)				
Loans and advancements to subsidiaries		291.401,11		6.521.176,30	
Tax receivables		10.666,91		160.408,11	
Prepaid expenses		2.096,25		2.096,25	
			304.164,27		6.683.680,66
Cash	(4)		16.191,55		36.612,52
TOTAL			31.705.504,59		29.908.384,66
EQUITY AND LIABILITIES					
Shareholders' equity	(5)				
Issued and paid up share capital		188.900,00		158.300,00	
Share premium		22.152.191,55		18.199.791,55	
Other reserves		2.925.166,16		3.029.113,46	
			25.266.257,71		21.387.205,01
Long-term liabilities	(6)				
Debts to banks			1.700.000,00		5.100.000,00
Current liabilities	(7)				
Redemptions coming year loan from ICICI Bank Canada		3.400.000,00		3.400.000,00	
Accounts payable		349,88		389,65	
Accruals and deferred liabilities		1.338.897,00		20.790,00	
			4.739.246,88		3.421.179,65
TOTAL			31.705.504,59		29.908.384,66

2 PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1,2012 TILL MARCH 31, 2013

		April 1, 2012–March 31, 2013		April 1, 2011–March 31, 2012	
		€	€	€	€
Net turnover	(8)		169.100,00		58.400,00
Operating costs					
General expenses	(9)		183.840,35		82.516,75
Operational result			-14.740,35		-24.116,75
Interest income and related revenues	(10)	307.644,13		294.255,97	
Interest expenses and related expenses	(11)	-180.931,05		-360.240,54	
Financial result			126.713,08		-65.984,57
Result normal operations before taxation			111.972,73		-90.101,32
Taxation	(12)		-215.920,03		19.346,62
Net result after taxation			-103.947,30		-70.754,70

3 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

GENERAL INFORMATION

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

The valuation of assets and liabilities and the determination of the result occurs under the historical costs convention. Unless presented otherwise assets and liabilities are stated at face value. Income and expenses are accounted for on accrual basis. Profit is only included if and when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if and when these are known before finalizing the financial statements.

Groupcompanies

The company forms part of a group, of which Kirsons B.V. in Amsterdam is at the head. The group consists futhermore of:

- Lloyd Dynamowerke GmbH & Co. KG in Bremen, Germany (94.8949% share in capital)
- Lloyd Beteiligung GmbH in Bremen, Germany (100% share in capital)

Consolidation

Based upon the exemption stated in article 408, Book 2 of the Dutch Civil Code the company does not prepare consolidated financial statements. The company's financial statements as well as those of its subsidiaries are included in the consolidated financial statements of Kirloskar Electric Company Limited in Bangalore, India.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

The intangible fixed assets are valued at cost price and diminished with straight line depreciation.

Financial fixed assets

The participations in the subsidiaries are valued at cost price according to Dutch reporting guideline RJ 214.325 since the exemption of article 408, Book 2 of the Dutch Civil Code is applied.

Receivables

Upon initial recognition the receivables are accounted for at face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The result is determined as the difference between net turnover and operating costs and other expenditures taking into account the above mentioned principles of valuation.

Net turnover

The net turnover represents amounts invoiced for goods supplied and services rendered during the financial year net of discounts and value added taxes.

Operating costs

Operating costs are taken into account in the period to which they relate, if necessary by means of accruals.

Financial result

The interest income and interest expenses relate to in this financial year received and paid interest of issued and received loans.

Taxation

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

NOTES TO THE BALANCE SHEET

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Intellectual property
	€
Bookvalue as per April 1,2012	–
Expenditure for transfer of technology	1.270.000,00
Depreciation	–
Bookvalue as per March 31, 2013	1.270.000,00
Acquisition price	1.270.000,00
Rate of depreciation	%
Intellectual property	10

2. Financial fixed assets

	03-31-2013	03-31-2012
	€	€
Subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	30.081.211,75	23.154.154,46
Lloyd Beteiligung GmbH	33.937,02	33.937,02
	30.115.148,77	23.188.091,48

	04-01-2012 till 03-31-2013	04-01-2011 till 03-31-2012
	€	€
Lloyd Dynamowerke GmbH & Co. KG		
Account balance as per April 1	23.154.154,46	23.154.154,46
Movements	–	–
Cost additions during the year	6.927.057,29	–
Account balance as per March 31	30.081.211,75	23.154.154,46
Lloyd Beteiligung GmbH		
Account balance as per April 1	33.937,02	33.937,02
Movements	–	–
Account balance as per March 31	33.937,02	33.937,02

CURRENT ASSETS

3. Receivables

	03-31-2013	03-31-2012
	€	€
Loans and advancements to subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	291.401,11	6.521.176,30

The company can not claim repayments of its shareholders' loan to Lloyd Dynamowerke GmbH & Co. KG until the shareholder accounts and the shareholders' equity combined on the balance sheet of Lloyd Dynamowerke GmbH & Co. KG are above 40% of the balance sheet total.

	03-31-2013	03-31-2012
Tax receivables		
VAT refundable	779,00	1.431,17
Foreign withholding tax in Germany	9.887,91	158.976,94
	10.666,91	160.408,11

	03-31-2013	03-31-2012
Prepaid expenses	€	€
Prepaid expenses	2.096,25	2.096,25

4. Cash

ING Bank N.V., current account (6808.74.488)	15.812,69	36.239,91
ING Bank N.V., savings account (6808.74.488)	378,86	372,61
	16.191,55	36.612,52

EQUITY AND LIABILITIES

5. Shareholders' equity

Issued and paid up share capital	188.900,00	158.300,00
Share premium	22.152.191,55	18.199.791,55
Other reserves	2.925.166,16	3.029.113,46
	25.266.257,71	21.387.205,01

Issued and paid up share capital

1.889 ordinary shares each ofa nominal value of € 100	188.900,00	158.300,00

The authorised capital of the company amounts to € 390.000 consisting of 3.900 ordinary shares each of a nominal value of € 100.

In this financial year 306 (previous year 230) ordinary shares were issued and fully paid up.

	04-01-2012 till 03-31-2013	04-01-2011 till 03-31-2012
	€	€
Share premium		
Account balance as per April 1	18.199.791,55	15.411.791,55
Share premium paid on new issued shares	3.952.400,00	2.788.000,00
Account balance as per March 31	22.152.191,55	18.199.791,55
Other reserves		
Account balance as per April 1	3.029.113,46	3.099.868,16
Net result	-103.947,30	-70.754,70
Account balance as per March 31	2.925.166,16	3.029.113,46

6. Long-term liabilities

	03-31-2013	03-31-2012
	€	€
Debts to banks		
Loan from ICICI Bank Canada	1.700.000,00	5.100.000,00

	04-01-2012 till 03-31-2013	04-01-2011 till 03-31-2012
	€	€
Loan from ICICI Bank Canada		
Account balance as per April 1	8.500.000,00	11.900.000,00
Redemptions	-3.400.000,00	-3.400.000,00
Account balance as per March 31	5.100.000,00	8.500.000,00
Redemptions coming year	-3.400.000,00	-3.400.000,00
Book value as per March 31	1.700.000,00	5.100.000,00

The loan was granted in September 2008 for a six year period. Redemption is agreed upon in 20 equal quarterly instalments of € 850.000,00 commencing from December 2009 until September 2014. An amount of € 3.400.000,00 is to be redeemed within 12 months after balance sheet date.

The interest rate is calculated at 3 months LIBOR plus 2 percent and stated in euro.

The bank loan is secured by pledge of shares of the company and its subsidiaries and is backed by a Standby Letter of Credit from ICICI Bank Limited in India.

		03-31-2013	03-31-2012
		€	€
7.	**Current Liabilities**		
	Redemption coming year loan from ICICI Bank Canada		
	Redemptions	3.400.000,00	3.400.000,00
	Accounts payable		
	Accounts payable to creditors	349,88	389,65
	Accruals and deferred liabilities		
	Accruals		
	Accounts payable Kirloskar Electric Company Ltd.	53.809,00	–
	Interest loan ICICI Bank Canada	6.318,00	13.290,00
	Audit fee	7.500,00	7.500,00
	Legal and other services	1.270,00	–
	Accounts payable Lloyd Dynamowerke GmbH & Co. KG	1.270.000,00	–
		1.338.897,00	20.790,00

		04-01-2012 till 03-31-2013	04-01-2011 till 03-31-2012
5	**NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1,2012 TILL MARCH 31, 2013**	€	€
8.	**Net turnover**		
	Advisory services	169.100,00	58.400,00
	Operating costs		
9.	*General expenses*		
	Advisory expenses from parent company	160.609,00	55.619,00
	Legal service costs	6.410,50	1.500,00
	Tax advise, VAT and corporate tax	4.134,50	10.306,02
	Audit fee	7.500,00	7.500,00
	Trust service costs	5.186,35	7.591,73
		183.840,35	82.516,75
	Financial result		
10.	*Interest income and related revenues*		
	Interest on loan to Lloyds Dynamowerke GmbH & Co. KG	307.612,38	293.644,59
	Interest income	31,75	611,38
		307.644,13	294.255,97

		04-01-2012 till 03-31-2013	04-01-2011 till 03-31-2012
		€	€
11.	*Interest expenses and related expenses*		
	Interest loan from ICICI Bank Canada	-174.899,96	-354.025,46
	Bankcharges	-6.031,09	-6.215,08
		-180.931,05	-360.240,54
12.	**Taxation**		
	Foreign withholding tax written off	-215.920,03	19.346,62

Signing of the financial statements
July 24,2013

Mr. Vijay R. Kirloskar   Mr. Vinayak N. Bapat   Mr. Pralhad P. Katti

To the Managing Board of Directors

1 AUDITOR'S REPORT

We have audited the accompanying financial statements for the year ended March 31, 2013 of Kirsons B.V. in Amsterdam (Netherlands), which comprise the balance sheet as at March 31,2013 and the profit and loss account for the period April 1, 2012 till March 31, 2013 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines necessary to enable the preparation of the financial statements free from material misstatement, whether due to fraud or error.

Auditor's *responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2013 and of its result for the period April I, 20 I 2 till March 31, 2013 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Oostzaan, July 24,2013

Ozlo Accountants

Drs. Gerrit C. Groen RA

2 Statutory rules concerning the appropriation of the profit

According to article 28 of the Articles of Association the appropriation of the profit is as follows:

1. The profit shall be at the free disposal of the general meeting of shareholders.
2. The company may only make distributions to the shareholders and others entitled to the profit susceptible of distribution in so far as the equity is greater than the paid-up and called part of the capital increased by the reserves that must be maintained by virtue of the law.
3. Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.
4. On shares acquired by the company in its own capital or at their depositary receipts no distribution shall be made for the benefit of the company. When the appropriation of profit is calculated, the shares on which no distribution is made in pursuance of the preceding paragraph shall not be counted.
5. In the meantime the company may only make ditributions if the requirement of paragraph 2 has been fulfilled.
6. The general meeting of shareholders may resolve that dividends will be paid out entirely or partly in another form than money.
7. Out of the reserves prescribed by the law a deficit may only be paid in so far as the law permits this.
8. Dividends must be made payable one month after declaration, unless the general meeting of shareholders sets another time.
9. Claims on dividend shall lapse on expiry of five years after the start of the day following the one on which they became claimable.

3 Processing of the loss for the financial year 2012-2013

According to Dutch legislation the loss off € 103.947,30 has to be deducted from the other reserves. This deduction has already been accounted for in the financial statements.

Lloyd Dynamowerke GmbH & Co. KG
Bremen, Germany

Annual Report 2012 - 2013

1. Audit assignment

At the shareholders meeting of

"Lloyd Dynamowerke GmbH & Co KG, Bremen"
(also referred to in the following as "Company")

on 16th May 2012 we were selected as the auditor for the annual accounts for the fiscal year 2013. In execution of the order granted us by the management, we have audited

- the annual statement of accounts (balance sheet) for 31st March 2013 (Annex 1 - 3)
- the management report for the fiscal year 2013 (Annex 4)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2012 and the management report for 2011/2012 and provided/issued an unrestricted audit certificate.

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

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

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 8. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

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

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

A considerable loss is reported for financial year 2012/2013. The reasons for this were the considerable corrections of unfinished products and the provision to contingency reserves, the amounts of which were not provided earlier. This loss was balanced by an allocation to the capital reserves by the main shareholder with respect to the capital stock. The financing banks will continue to support the company according to information given to us.

3. Focus, Method and Scope of the Audit

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

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

The audit was carried out during the period from 16th April 2013 until 3rd July 2013.

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

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

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

The audit focused on the following areas:
- Fixed assets
- Inventories
- Trade receivables and trade liabilities
- Other provisions
- Bank loans and overdrafts
- Sales

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

We have attended the stocktaking of inventories.

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

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

The values of the corrections of unfinished products and the value for provisions for contingent loss have been adapted on the basis of analysis provided by a renowned external audit firm.

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

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

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents, the annual statement of accounts as well as the management report correspond to the legal rules and the supplementary regulations of the partnership agreement. The Lloyd Dynamowerke GmbH & Co. KG is a big company according to § 267 Art. 3 German Commercial Code (HGB).

4.1.2. Previous year's statement of accounts

The previous year's statement of accounts was adopted at the corporate meeting on 16th May 2012. The management was granted exoneration. The prior year financial statements are sending on 30th April 2013 in the electronic Federal Gazette.

4.1.3. Bookkeeping and other audited documents

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

The accounting of the company takes place using data processing. At the beginning of the new fiscal year (1st April 2013), SAP was started to be implemented.

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

4.1.4. Annual statement of accounts (Balance sheet)

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

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

4.1.5. Management report

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

4.2. Overall statement of the annual balance sheet

The annual balance sheet for 31st March 2013 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

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

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

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

4.3 Net assets, financial position and results of operations

For information regarding the asset, finance and profit situation, we refer the reader to the management report (Annex 4), which gives detailed explanations about the course of business and the asset situation.

5. Reproduction of the auditor's opinion

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

Based on the result of our audit, we have provided the accompanying annual statement of accounts (Annex 1-3) dated 31st March 2013 and the accompanying managing report (Annex 4) for the fiscal year 2013 of Lloyd Dynamowerke GmbH & Co KG, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Lloyd Dynamowerke GmbH & Co. KG for the business year from 1st April 2012 to 31st March 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Bremen, 3rd July 2013

WSG Hanseatische Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft

signed Senge	signed Grüneberg
(Seal) German Public Auditor	German Public Auditor

* * *

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:
Bremen, 3rd July 2013

WSG Hanseatische Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft

Senge	Grüneberg
German Public Auditor	German Public Auditor

Balance Sheet 31st March, 2013

Annex 1

ASSETS

			€	31st March 2013 €	31st March 2012 t€ Thousand (t)
A.	**Fixed Assets**				
	I.	**Intangible assets**			
	1.	Own created Licenses	382.549,00		338
	2.	Accrued Licenses against payment	541.297,00		504
	3.	Prepayments	194.535,01		0
				1.118.381,01	842
	II.	**Tangible assets**			
	1.	Land and buildings	1.673.438,44		1.764
	2.	Technical equipment and machinery	2.007.601,00		2.370
	3.	Other equipment, factory and office equipment	634.172,00		707
				4.315.211,44	4.841
	III.	**Financial assets**			
		Participating interests		18.064,71	18
B.	**Current Assets**				
	I.	**Inventories**			
	1.	Raw materials	3.141.334,51		3.041
	2.	Work in progress	8.026.322,00		11.226
	3.	Finished goods	1.972.651,00		0
	4.	Payments on account	98.229,70		149
	5.	Payments received on account	-5.557.937,30		-5.462
				7.680.599,91	8.954
	II.	**Receivables and other assets**			
	1.	Trade receivables	7.023.615,45		6.584
	2.	Receivables from affiliated companies	1.489.123,00		193
	3.	Other assets	259.553,25		339
				8.772.291,70	7.116
	III.	**Cash and equivalents**		2.067.637,63	2.739
C.	**Prepaid expenses**			259.511,81	183
D.	**Deferred taxes**			2.481.706,50	2.370
				26.713.404,71	27.063

Liabilities

			€	31st March 2013 €	31st March 2012 t€
A.	**Equity**				
	I.	Limited liability capital	3.330.000,00		3.330
	II.	Capital reserves	9.260.317,68		2.333
	III.	Cumulated losses brought forward by limited partners	-550.127,61		0
	IV.	Loss for the year	-6.459.869,92		-550
				5.580.320,15	5.113
B.	Provisions				
	Other provisions			4.425.575,99	2.454
C.	Liabilities				
	1.	Shareholder accounts	288.504,34		6.522
	2.	Bank loans and overdrafts	10.404.077,43		9.054
	3.	Trade liabilities	5.744.050,11		3.550
	4.	Payables to affiliated companies	42.669,00		143
	5.	Liabilities to general partner	2.343,55		2
	6.	Other liabilities	225.864,14		225
	—	thereof Taxes: € 174.830,92 (31.3.2012: t€ 160)			
	—	and Social security: € 6.998,47 (31.3.2012: t€ 9)—			
				16.707.508,57	19.496
				26.713.404,71	27.063

Profit and loss account

Annex 2

for the financial year 1st April 2012 to 31st March 2013

		1st April 2012 to 31st March 2013			1st April 2011 to 31st March 2012
		€	€	€	t€
1.	Sales		39.956.867,15		33.333
2.	Changes in work in progress		– 1.226.568,00		+ 6.059
3.	Other own work capitalized		83.150,00		341
				38.813.449,15	39.733
4.	Other operating income			606.430,82	462
				39.419.879,97	40.195
5.	Cost of materials				
	a) Cost of raw materials, consumables and goods for resale	16.817.105,63			13.628
	b) Cost of purchased services	3.355.746,85			3.500
			20.172.852,48		17.128
6.	Personnel expenses				
	a) Wages and salaries	13.031.277,40			12.314
	b) Social security	2.542.345,28			2.388
			15.573.622,68		14.702
7.	Depreciation of fixed intangible and tangible assets		982.610,75		981
8.	Other operating expenses		7.978.726,66		6.953
				44.707.812,57	
				-5.287.932,60	431
9.	Other interests receivables and similar income - thereof discounting provisions : € 23.358,03 (31.3.2012: t€ 20)		30.787,93		38
10.	Interests and similar expenses- thereof shareholders: € 307.612,38 (31.3.2012: t€ 294)		1.246.624,09		998
				–1.215.836,16	- 960
11.	Ordinary operating results			- 6.503.768,76	- 529
12.	Income taxes			111.259,64	+ 46
	- thereof changes deferred taxes: € 111.259,64 (31.3.2012 : t€ 57)				
13.	Other taxes			- 67.360,80	- 67
14.	Loss for the year			- 6.459.869,92	- 550

Explanatory notes for the financial statements as at 31st March 2013

Annex 3

General information

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

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

For the profit and loss account the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies
Intangible assets of fixed assets are recorded at historical or production cost less regular accumulated depreciation. The components of the production costs are explained in the inventories. The internally generated intangible assets (t€383) are not available for distribution.

Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straightline accumulated depreciation. Real estate is depreciated over a period of 25 years. For movable property we assumed a useful lifetime between three and thirteen years. Low-value assets with acquisition costs up to € 150,00 were fully depreciated in the year of acquisition. Additions to low-value assets, which are starting with 2008, those with acquisition cost between € 150,00 and € 1.000,00 are recorded in the year of addition and are depreciated straightline over a period of five years.

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

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

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

The Company has used the legal option to capitalize deferred taxes. Mainly the figures from the supplementary tax balance sheet and the trade tax loss carried forward were considered for the computation of the deferred taxes. The value was backed by a fiscal budget planning for the next five years. The calculation is based on a trade tax rate of 16.1 %. The deferred tax assets are not available for distribution.

Tax provisions and other provisions to the balance sheet include all identifiable risks and contingent liabilities. The Provisions are measured since the introduction of BilMoG the settlement amount, ie taking into account future costs and price increases. Provisions with a residual maturity greater than one year are discounted to their residual maturity, the corresponding market rate of the past seven years.

Liabilities are basically recorded at amounts to be repaid.

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

Notes to balance sheet items

1. **Fixed Assets**
   Breakdown and changes of individual positions of the assets are depicted in the following asset analysis.

   The interest in the Electrical Machines Industries (Bahrain) W .L.L. relates to a joint venture founded in 1997. The interest of Lloyd Dynamowerke GmbH & Co. KG amounts to 33,33% of the total share capital of BHD 25.000 = € 51.086. The company reported in fiscal year 2012 / 2013 a net profit of BHD 3.193 = € 6.524. Net worth of the company as at 31st March 2013 was BHD 145.325 = € 296.966.

2. **Receivables and other assets**
   In the balance sheet disclosure are single value adjustments to receivables with doubtful recoverability of t€ 155 (previous year t€ 152) as well as general provisions of t€ 65 (previous year t€ 61) offset against receivables. Receivables from affiliated companies include receivables from shareholders (t€ 1.270) resulting from the sale of licenses.

   The disclosure relates to t€ 60 (previous year t€ 51) prepayments of services to be rendered by employees.

4. **Deferred taxes**
   The deferred taxes concerning trade tax result from the differences between the commercial and the tax base as well as the trade tax loss carried forward. The above mentioned differences are mainly due to the supplementary tax balance sheet of the main shareholder. The calculation is based on a trade tax rate of 16.1 %.

5. **Equity**
   Limited liability capital amounts to € 3.330.000,00. The capital was completely paid-in at balance sheet date. The general partner Lloyd Beteiligungs-GmbH, Bremen, does not hold any partnership shares. The nominal capital of the company amounts to € 25.000,00.

The general partner receives a yearly compensation for risk of liability of 6,0% calculated on the reported equity as well as interest payment of 5,0% calculated on the clearing account.

The shareholder Kirsons B.V. has increased the capital reserve by € 6,9 Mio in order to avoid a balance sheet deficit as at 31st March 2013.

6. Shareholder loan

The shareholders loan relates to the clearing accounts of the shareholder Kirsons B.V.

7. Other provisions

Other provisions relate mainly provision for contigent losses (t€ 1.043), to personnel department for vacation (t€ 858) and for flex-time account and overtime (t€ 198), for partial retirement (t€ 377), for outstanding invoices (t€ 355), for warranties (t€ 325) as well as for Employer's Liability Insurance Association (t€ 291).

8. Liabilities

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

9. Other financial liabilities

At balance sheet date there are presumably payment obligations from rental, leasing and service contracts to the amount of t€ 1.484 (previous year t€ 1.442 p.a.). The underlying contracts have durations up to 52 months.

10. Derivative financial instruments

In the year under derivative financial instruments (interest rate swaps) to hedge future cash flows from floating rate (Euribor) used loan. The interest rate swaps are based on underlying transactions with similar, but opposite risks. The wire which is made of the respective hedged item and the hedging instrument formed in accordance with § 254 HGB assessment unit secured credit volume is EUR 3.000.000,00 of the balance sheet date. It was formed according to the negative market values a provision. The negative result from bank confirmations.

Notes to the profit and loss account

1. Sales

Sales are distributed under regional and operative aspects as follows:

Sales by region	31st March 2013	31st March 2012
	t€	t€
Domestic	21.717	18.307
Non-domestic	18.240	15.026
thereof EU	*5.607*	*5.879*
	39.957	33.333

Sales by operative segment	31st March 2013	31st March 2012
	t€	t€
Machinery	29.895	24.950
Services	7.422	6.179
Spare parts	2.521	2.118
Goods for resale	49	117
Other sales	211	172
Sales reductions	-141	-203
	39.957	33.333

2. Other operating Income

Income relating to other periods amounting to t€ 93 (previous year t€ 173) are included. Mainly these are income from dissolution of provisions (t€ 79).

3. Other operating expenses

Expenses relating to other periods amounting to t€ 4 (previous year t€ 43) are included.

4. Research and development costs

The total amount of research and development costs amounted to t€ 742 (previous year t€ 1.046) in the expired fiscal year. In fiscal year t€ 79 (previous year t€ 338) of them were capitalized as internally generated intangible assets. This amount is not available for distribution.

Other information

1. Employees

For 2013 the headcount is depicted as a yearly average as follows:

	2013	**2012**
Salaried workforce	140	141
thereof apprentices/trainees	10	14
Wage earner	140	138
thereof apprentices/trainees	*3*	*2*
Total workworce	280	279

2. General partner

Lloyd Beteiligungs-GmbH, Bremen, with a subcribed capital of € 25.000,00 is the unlimited liable shareholder.

3. Consolidated Financial Statements

The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Electric Company Ltd., Bangalore. The end of period will be the 31st March. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Auditers Fee

	t€
Audit	26
Other Confirmations	30
Tax Consulting	7
Other Services	6

5. Managing director

Managing director for the general partner Lloyd Beteiligungs-GmbH was in 2012/2013:

Dipl.-Ing. Berthold Groeneveld, Weyhe (until 17th May 2013)

Dipl. -Ing Matthias Dankwardt, Bremen (since 1st March 2013)

The company has used the legal option of § 286 (4) HGB.

Bremen, 3rd July 2013

signed Dipl.-Ing Matthias Dankwardt

Lloyd Dynamowerke GmbH & Co. KG
Changes of assets from 1st April 2012 to 31 st March 2013

(in €)

	Acquisition and production cost				Depreciation				Book Value	
Particulars	As at April 1, 2012	Additions	Disposals	As at March 31, 2013	As at April 1, 2012	Additions year	Disposals	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
I. Intangible assets										
1. Own created Licenses	338..425,00	78,900,00	0,00	417.325,00	0.00	34.776,00	0.00	34.776,00	382..549,00	338..425,00
2. Accrued Licenses against payment	1.428.606,88	218.093,90	0,00	1.646.700,78	924.769,88	180.633,90	0.00	1.105.403,78	541.297,00	503.837,00
3. Prepayments	0,00	194,535,01	0,00	194.535,01	0,00	0,00	0.00	0.00	194.535,01	0.00
	1.767.031,88	491.528,91	0,00	2.258.560,79	924.769,8s8	215.409,90	0.00	1.140.179,78	1.118.381,01	842.262,00
II. Tangible assets										
1. Land and buildings	2.250.190,51	0,00	0,00	2.250.190,51	486.110,07	90.642,00	0.00	57.6752,07	1.673.438,44	1.764.080,44
2. Technical equipment and machinery	6.776.954,05	127.315,00	17.100,00	6.887.169,05	440.6754,05	489.914,00	17.100,00	4.879.568,05	2.007.601,00	2.370.200,00
3. Other equipment, factory and office equipment	2.439.304,61	113.620,85	84.473,11	2.468.452,35	1.732.108,61	186.644,85	84.473,11	1.834.280,35	634.172,00	707.196,00
	11.466.449,17	240.935,85	101.573,11	11.605.811,91	6.624.972,73	767.200,85	101.573,11	7.290.600,47	4.315.211,44	4.841.476,44
III. Financial assets Participating interests	18.064,71	0,00	0,00	18.064,71	0,00	0,00	0,00	0,00	18.064,71	18.064,71
	13.251.454,76	732.464,76	101.573,11	13.882.437,41	7.549.742,61	982.610,75	101.573,11	8.430.780,25	5.451.657,16	5.701.803,15

Liabilities ageing report 31st March 2013

		thereof with remaining life				
Liabilities	Total 31st March 2013 € (t€ 31st March 2012)	up to 1 year € (t€ 31st March 2012)	between 1 to 5 years € (t€ 31st March 2012)	more than 5 years € (t€ 31st March 2012)	collateralized amounts € (t€ 31st March 2012)	nature of collateral
shareholder loan	288.504 (6.522)	288.504 (6.522)	0 (0)	0 (0)	0 (0)	- land charge nominal t€ 4,838 - blanket assignment of accounts receivable - assignment of machinery, office equipment etc. - cession of claims to trade credit insurance - assignment of goods - export overall transfer by way of security
to banks	10.404.077 (9.054)	9.904.077 (8.454)	400.000 (400)	100.000 (200)	10.404.077,43 (9.054)	
received advance payments	5.557.937 (5.462)	5.557.937 (5.416)	0 (46)	0 (0)	0 (0)	
trade liabilities	5.744.050 (3.550)	5.744.050 (3.550)	0 (0)	0 (0)	0 (0)	
to affiliated companies	42.669 (143)	42.669 (143)	0 (0)	0 (0)	0 (0)	
to general partner	2.344 (2)	2.344 (2)	0 (0)	0 (0)	0 (0)	
other	225.864 (225)	225.864 (225)	0 (0)	0 (0)	0 (0)	
	22.265.446 (24.958)	21.765.446 (24.312)	400.000 (446)	100.000 (200)	10.404.077 (9.054)	

Management Report for Financial Year 1.4.2012 – 31.3.2013

Annex 4

I. The Principles of the Company

1. Business Model of the Company

Lloyd Dynamowerke GmbH & Co. KG (hereinafter referred to as LDW) develops, sells and manufactures electrical machines at its site in Bremen. In addition it offers consultancy and servicing for electrical machines and associated equipment. The business model also consists of the new development of electrical machines including the construction of prototypes for other manufacturers, primarily from the Asian region.

The electrical machines are mainly direct current machines starting from a shaft height of 90mm and three-phase machines starting from a shaft height of 200mm up to shaft heights of 2,800mm. Both motors and generators are manufactured in each case. The machines are predominantly installed in large plants, e.g. in the petrochemical industry, in hydroelectric plants and conveyer technology. Another frequent area of application is shipbuilding.

Our electric drives are high quality, durable goods from the plant/machinery construction field. The production times of such machines can last up to 18 months from order confirmation to delivery of the machine. Not many standard machines are produced; they are almost exclusively special customised machines. Internally, of course, we do work with standard modules.

2. Objectives and Strategies

LDW is a manufacturer in the special machinery niche and does not strive for market leadership or price leadership. LDW must, however, be at the forefront technically in the relevant field of electrical machinery. The satisfaction of demanding customers is regularly surveyed and, if necessary, corresponding internal adjustments are made. That is not just the case for the new machines, but also in the area of servicing. Business activities have recently been expanded to include consultancy and development services for third parties. This route is to be pursued further.

A strengthening of competence in the whole field of drive technology is planned. Sales and marketing will continue to canvass for special machines. In regional terms, the USA has performed positively. After about 2 years start-up time more orders are now coming from here.

In the Middle East, even better development has begun to emerge. The contract with a very competent partner is having a positive effect. Russia has recently come into focus. Here, targeted market research is currently being undertaken and contact made with relevant potential customers. The first results are expected in the next financial year. As a new area of business and in order to expand the range of products, the development and sale of industrial machines with smaller shaft heights is being developed and installed. These products are being manufactured externally. Here too first results are expected in the current financial year.

3. Research and Development

Research and development is carried out in the Project Planning Team and the 3 design teams, of these mainly in the “Innovation” team. The development department forms the basis for all branches of the business. Its strength is often an important feature in the competition for orders.

A considerable share of the projects requires development work. This applies even more to the new development work paid for by third parties. LDW only receives such orders of course if the high level of expertise can be proven in technically new and sophisticated electrical machines. In financial year 2012/13 it was possible to produce and test wind power generators at about 7 MW, for example. In line with the current market trend, permanent magnets were used. The generators are highly integrated, the gear box is attached directly and the outer diameter is also the outer diameter of the nacelle.

A new series of machines was developed for joint production with the Indian shareholder’s company so that they can later also be produced totally in India. In this size range the former series from LDW was not sufficiently competitive in terms of price and the Indian series was only technically competitive on the national market. The development work for this new series of machines carried out by LDW by the end of the financial year in the sum of approx. €1.2 million is to be reimbursed by a company belonging to the Indian shareholder.

II. Economic Report

1. Macroeconomic, General Industry-specific Conditions

LDW operates primarily in the capital goods sector. The global economic crisis and the problems in the European region have led to caution amongst the customers here. Whenever there appeared to be an improvement in the situation, setbacks kept occurring. A clearer and quicker approach among the politicians in Europe would certainly have helped a lot here.

The economic situation in our industry was therefore rather sluggish. There was fierce competition for orders. Large competitors, who are normally more likely to be active in the standard sector, were even present in the niche sector. The situation has therefore not changed significantly since the previous year.

2. Business Performance

Order receipts in the first quarter were weak, but it was possible to increase them over the further course of the financial year; as a result an increase in sales of approx. 20% was recorded. Total out put remained unchanged.

The shareholder requested a well-known audit firm to evaluate the work in progress valuation as of 31st March 2013 as it found some irregularities in the valuation done by then Managing Director. As per the request of the shareholder, the audit firm performed the evaluation, submitted its report and the shareholder decided to adopt the same for the purpose of preparation of the financial statements for the year ended 31st March, 2013. Total downward correction carried out is Euro 3.7 million in the valuation of the work in progress and finished goods, and reduction of Euro 1.04 million towards provision for contingency loss on work in progress as compared to the valuation done earlier. In view of this cost of material (including purchased services) rose by 8.9 percent.

Personnel expenditure rose by €872K because of an increase in the collective bargaining wage increases and the lower use of short-time working in comparison to the previous year. It was possible to reduce expenditure on maintenance, administration and sales and marketing. The other operating expenses rose mainly due to the introduction of SAP, which has begun, and consultancy services.

3. Position: Presentation, Analysis, Assessment

a) Earnings Position

	2012-13		2011-12		Change in profit/loss
	€K	%	€K	%	€K
Sales revenues	39.957	102,9	33.333	83,9	+ 6.624
Changes in inventory	- 1.227	- 3,2	+ 6.059	15,2	- 7.286
Internally produced and capitalised assets	+ 83	0,2	+ 341	0,9	- 258
Total output	+ 38.813	99,9	+ 39.733	100,0	- 920
Other operating income	+ 512	1,3	+ 280	0,7	+ 232
Operating performance	+ 39.325	101,2	+ 40.013	100,7	- 688
Cost of materials (including purchased services)	20.173	52,0	17.128	43,1	-3.045
Personnel expenses	15.574	40,1	14.702	37,0	- 872
Scheduled depreciation	983	2,5	981	2,5	- 2
Operating taxes (excl. income taxes)	67	0,2	67	0,2	0
Maintenance expenses	258	0,7	539	1,4	+ 281
Administrative expenses	1.671	4,3	1.781	4,5	+ 110
Sales expenses	1.575	4,1	1.676	4,2	+ 101
Other operating expenses	4.469	11,5	2.914	7,3	-1.555
Expenses in connection with operating perfor	44.770	115,4	39.788	100,2	- 4.982
Operating profit/loss	- 5.445	- 14,2	+ 225	0,5	- 5.670
Financial profit/loss	- 1.216		- 960		- 256
Ordinary profit/loss of the company	- 6.661		- 735		- 5.926
Non-operating profit/loss	+ 201		+ 196		+ 5
Taxes on income	0		- 11		+ 11
Net profit/loss for the year	- 6.460		- 550		- 5.910

The non-operating result is composed as follows:

	2012-2013	2011-2012
Non-operating expenses	t€	t€
Compensation	-3	0
Other expenses related to other periods	- 1	- 43
	- 4	- 43
Non-operating income		
Changes deferred taxes	+ 111	+ 57
Dissolution of provision	+ 79	+67
Insurance refund	+ 4	0
Gains from write-off of liabilities	+ 2	0
Sales of fixed asset	+ 1	+ 47
Dissolution of provision for specific doubtful debt	0	+ 35
Dissolution of provision for general doubtful debt	0	+ 9
Write-up assets from taxaudit	0	+ 19
Other income related to other periods	+ 8	+ 5
	+ 205	+ 239
	+ 201	+ 196

Our earnings position is characterised by the focus on quality products.

Order receipts remained slightly below the previous year's value due to the very weak first quarter. Just under 80% come from the new machinery sector, slightly above 20% from the servicing sector. A significant growth in sales was possible in comparison to the previous year. About 75% comes from the new machinery business and 25% from the servicing sector.

There is no dependency on just a few customers, or on just a few suppliers. The supply of raw materials was not a problem in terms of quantity; however there were significant price increases. There were no environmental protection problems. The company is appropriately certified and regularly makes efforts, which further reduce the already very low pollution of the environment.

About 2/3 of the customers are based in Europe; the sites where our machines are installed are, however, very often outside of Europe, because many of our customers are plant construction firms. Transactions in foreign currencies have not been conducted to a notable extent.

The under-utilisation of production capacity continues to be a problem, which must be solved in the short-term. The current workforce should allow sales of approx. €50 million in principle whereas the current sales revenues are approx. €40 million. As a consequence, the current personnel expenditure is too high in relation to generated sales. At present, extensive measures are being planned both with respect to personnel adjustment and other cost savings, which will be implemented in the coming financial year.

b) Financial Position

	€K
Net loss for the year	– 6.460
major expenses and income without liquidity effect	
Change in deferred taxes	– 112
Change in reserves	+ 1.972
Depreciation of fixed asses	+ 983
Cashflow from sales activities	– 3.617
Change in stock-in-trade, trade accounts receivable and other assets	– 460
Change in trade accounts payable and other liabilities	2.096
Cashflow in and out (-) from current business activities	–1.981
Outgoing payments for investments in assets	– 732
Cashflow in and out (-) from investment activities	– 732
Balance of withdrawals and deposits	+ 692
Change in accrued interest	26
Redemption of bank loan	1.236
Cashflow in and out (-) from financing activities	– 518
Change in cash and cash equivalents	– 3231
Cash and cash equivalents at the beginning of the period	– 2.463
Cash and cash equivalents at the end of the period	– 5.694
The cash and cash equivalents at the end of the period is comprised as follows:	
Cash on hand, credit balances at banks	+ 2.068
Short-term current account liabilities	– 7.762
Cash and cash equivalents at the end of the period	– 5.694

The liquidity position of the company continues to be strained. The main reason for this is the current under-utilisation. This has led to short-term financial liabilities rising to approx. €9.9 million (previous year: approx. €8.5 million).

On 20 June 2013 it was possible to reach an agreement in principle with the financing banks and trade credit insurers regarding the company's future financial framework. The basis for this was the report of a renowned external consultancy firm. This also includes the shareholders infusing funds and converting €6.9 million shareholders loan into the capital Reserve as a part of restructuring proposal, with this lenders agreed in principal restructuring proposal of the company.

C) Assets Position

	31.03.2013		31.03.2012		Change	
	€K	%	€K	%		€K
A s s e t s						
Fixed assets						
Intangible assets and tangible assets	5.433	20,3	5.684	21,1	-	251
Financial assets	18	0,1	18	0,1		0
	5.451	20,4	5.702	21,2	-	251
Current asssets						
Inventories (less advance payments received)	7.681	28,8	8.954	33,0	-	1.273
Trade accounts receivable	7.024	26,3	6.584	24,2	+	440
Due from affiliated companies	1.489	5,6	193	0,7	+	1.296
Other assets	260	0,9	339	1,3	-	79
Cash and cash equivalents	2.068	7,7	2.739	10,1	-	671
	18.522	69,3	18.809	69,3	-	287
Prepayments and accrued income	259	1,0	183	0,7	+	**76**
Deferred tax assets	2.482	9,3	2.370	8,8	+	112
	26.714	100,0	27.064	100,0	-	350
L i a b i l i t i e s						
Mid and long-term						
Capital stock (incl. shareholder loan)	5.871	22,0	11.638	43,1	-	5.767
Provisions	114	0,4	170	0,6	-	56
Liabilities to banks	500	1,9	600	2,2	-	100
	6.485	24,3	12.408	45,9	-	5923
Short-term						
Provisions	4.312	16,1	2.284	8,4	+	2.028
Liabilities to banks	9.904	37,1	8.454	31,3	+	1.450
Trade accountspayable	5.744	21,5	3.550	13,1	+	2.194
Liabilities to group companies	43	0,2	143	0,5	-	100
Other liabilities	226	0,8	225	0,8	+	1
	20.229	75,7	14.656	54,1	+	5.573
	26.714	100,0	27.064	100,0	-	350

The changes in intangible assets and tangible assets are primarily due to the introduction of the ERP software SAP (approx. €400,000).

There is not much machinery and there is no need for significant new investment here. New tools, e.g. for punching, always have to be purchased, however. This is done in relation to projects but in a way that makes it possible to reuse them for other projects. The investments are therefore more likely to decline during the next financial year.

Generally, no new equipment or machines are needed for new projects.

Trade accounts receivable have risen slightly due to relatively high sales in the last month.

The assets position continues to be characterised by the high level of stock-in-trade. Against the background of LDW's business model this is, however, logical and not a special feature. In comparison to the previous year the stock-in-trade has not changed much.

In order to prevent over-indebtedness on the balance sheet the shareholder have agreed to convert outstanding amount of 6.9 million shareholders loan into capital reserve The capital stock has therefore recovered significantly. The personnel adjustment and cost-saving measures already mentioned should lead to the continued substantial improvement of the capital stock situation in the next few financial years.

Liabilities to banks have risen moderately and take into account the fact that the increased accounts payable needed to be financed.

The rise in trade accounts payable is due to the increased turnover and will be serviced and reduced on time continually in the coming financial year.

As already explained in the previous annual report, LDW concluded two so-called interest hedging transactions (interest rate swaps) in 2011/12, since the bank loans granted to LDW are normally linked to the performance of the Euribor. The first interest hedging transaction was concluded for a volume of €1 million over a term of five years; the second with a volume of €2 million over a term of two years. These still exist in the current financial year.

4. Financial and Non-Financial Performance Indicators

For our internal management control we refer to the key figures of sales per employee, return on sales and cash flow.

The employees include two directors. We calculate the return on sales with EBIT in relation to sales revenues, and cash flow from the total of the net loss/profit for the year, depreciation and allocation to (or reversal of) long-term reserves.

Cash flow amounts to €-3,617K and is therefore considerably lower than in the previous year. These key figures show a decline, which is essentially due to the increase in material and personnel costs.

5. General Statement

While it is true that business performance was better than in the previous year in terms of volume, the difficult market conditions, continuing under-utilisation of production capacity and significant loss have led to a negative result for the year in this financial year, too.

In comparison to the previous year, the under-utilisation could not be overcome nor could sales revenues be increased to an adequate extent in order to compensate for the cost situation.

For this reason it is very important for the personnel adjustment and cost-saving measures to be implemented in the coming financial year as indicated and the anticipated results achieved.

III. Supplementary Report

On 20 June 2013 it was possible to reach an agreement in principle with the financing banks and trade credit insurers regarding the company's future financial framework. The basis for this was the report of a renowned external consultancy firm. This also includes the shareholders infusing funds and converting €6.9 million shareholders loan into capital Reserve as a part of restructuring proposal, with this lenders agreed in principal restructuring proposal of the company.

IV. Forecast Report

At €42 million we are currently recording a higher order book than a year ago (previous year: €37 million). As a result, an additional increase in sales will be possible in the next financial year. The target level here is €45 million. At the same time the current order book is characterised in particular by a rise in new orders in the servicing sector, which have relatively short run times and also lead to sales revenues in the corresponding financial year.

We are expecting a slight decline in the direct current machine business, significant increases in the three-phase machine business and the continual expansion of the servicing business. We are assuming that the backlog of investment projects and better general conditions in the Eurozone will lead to a better market in our branch of industry generally. Our sales activities, which have already been described, will make a significant contribution to a better receipt of orders in terms of quantity and above all, quality. Since almost all projects are settled in euros we do not foresee any exchange rate problems. Foreign currency business that does come about occasionally (USA) is hedged by corresponding contracts (forward rates).

The continuing under-utilisation of production capacity should be managed on the one hand through an increase in sales revenues and on the other by appropriate personnel adjustment measures. Through rationalisation measures and by buying in design services from our Indian shareholder we will implement a reduction of the workforce by about 70 people by the end of financial year 2013/14 and thereby be able to reduce personnel costs despite the anticipated increase in wages through collective bargaining. In addition, production will be ceased as far as possible in the non-lucrative small machine sector in order to improve the overall quality of our order book. A change in machine capacity is not planned. We are expecting stable to slightly declining trends in material prices.

Another large project is the introduction of the new ERP software, SAP. We will simplify our systems landscape as a result and then have access to a central data pool. Our business processes will be aligned to the SAP standard in the process. Implementation in the personnel department took place on 1.1.2013; the finance department switched to SAP on 1.4.2013, the other departments should start on 1.7.2013. In the last few months we have finally succeeded, after considerable start-up problems, in purchasing parts that are bought in anyway a lot cheaper via the Indian shareholder's company. The first parts are already in use. As well as the very high quality now, sometimes above the level of the European suppliers, a cost reduction of about 30% was achieved. This route is now to be followed consistently. A purchase volume of over €1 million is definitely achievable in financial year 2013/14. In the next few years this cooperation can be increased significantly.

In summary we are expecting rising sales with improved revenue quality for the next three years and a significant fall in material costs. Positive results are to be expected again from 2014/15. The target is a 5% return on sales in three years.

The sale of licences and technology transfer will remain important components of the business in the future.

V. Opportunities and Risk Report

a) Information regarding the individual Risks

If the problems on the financial markets should intensify again, then the necessary investments will be delayed across the world. That would lead to a lower receipt of orders at our key customers, the plant construction firms, and thus fewer orders for us too. That would have a negative impact on the economic situation and make further cost reduction action necessary. Then sales and profit risks would emerge.

If the economy picks up strongly on the other hand, this could lead to an increase in commodity prices and therefore also an increase in material costs for LDW. It would probably not be possible to fully compensate for this by buying in India. That would give rise to an earnings risk.

A sharp increase in the collective bargaining pay rates that apply to us would lead to an unplanned increase in personnel costs. It would only be possible to respond to this partly through relocation to India so the earnings risk would remain.

Business activities include the development and production of special machines. This can be associated with the risk of inadequate achievement of the promised properties or failure to adhere to the calculated costs. This risk has been controlled well in the past through risk management, which starts even before submission of a quotation. A continued, consistent application of the various instruments in this field (technical risk analysis, imputed risk analysis, detection of contract risks) is the prerequisite for the success-ful limitation and reduction of the risks.

There is a credit sale insurance policy for the products with a high level of turnover. Risks in development, production and assembly are greatly reduced by erection all risks and guarantee insurance.

b) Opportunities Report

In terms of procurement, we have access to a wide range of supply options. We impose our high quality demands through quality controls both directly at our suppliers in the countries of origin and on our own premises.

Our close ties to our shareholder allow a good and high-quality procurement of many machine components from India.

We will continue to respond to competition on the market, above all the increasing competition from suppliers in our segment, using our experience, innovations, reliability and a high level of quality.

c) General Statement

We continue to see the risks for future development in a difficult competitive environment, increasing raw material prices and stagnant price levels. Against the background of our financial situation it is necessary for both our Indian shareholder and the financing banks to continue to safeguard the financial stability of LDW.

Even though we presently do not see any risks that could pose a threat to the continued existence of the company, it is vital for us to solve the problem of the under-utilisation of production capacity in the short term. Without appropriate personnel adjustment and cost saving measures it will be difficult for LDW to achieve the aforementioned targets in the coming financial years.

VI. Risk Analysis for the Use of Financial Instruments

The financial instruments existing in the company essentially include receivables, liabilities and bank account balances. The company has an efficient payment reminder system; no significant defaults on receivables are to be recorded in this financial year.

In the long-term, the company finances itself via bank loans from three commercial banks. The busi- ness relationships have existed for many years. The objective of the company's financial and risk management policy is to secure against financial risks of every kind. In terms of financial management the company pursues a thoroughly conservative risk policy.

In order to hedge against the liquidity risk and to maintain solvency at all times an ongoing liquidity plan is generated, which is constantly adjusted to current changes and serves as the basis for cash disposal.
If default and credit risks are detected in financial assets, corresponding allowances for bad debt are made.

Since many loans are linked to the Euribor interest rate, there is an increased interest rate risk when interest rates rise.

If foreign currency transactions are conducted these are hedged via contracts with a bank, which secure the exchange rate at the time the order is accepted until the payment date. Terms under two months are not hedged. LDW thereby foregoes possible exchange rate gains but also avoids exchange rate losses.

Bremen, 3rd July 2013
signed Matthias Dankwardt

Managing Director

Bremen, 9 July 2013

Explanation of the positions on the annual financial statements as at 31st March 2013

Annex 5

I. Balance sheet

A s s e t s

A. Fixed assets

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

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

I. Intangible assets

1. Own created Licenses

	€	382.549,00
	31st March 2012	338.425,00

For the contents we refer the reader to the management report (annex 4) under the heading "Asset Position".

2. Accrued Licenses against payment

	€	541.297,00
	31st March 2012€	503.837,00

Computing software licenses and patents are accounted for.

The carrying amounts have developed as follows:	€
As at 31st March 2012	503.837,00
Additions	218.093,90
Depreciation	-180.633,90
As at 31st March 2013	541.297,00

Additions and depreciation relate to different software licenses.

3. Prepayments

	€	194.535,01
	31st March 2012 €	0,00

Given prepayments concern the acquisition of an ERP software (SAP), which is expected to be fully implemented in July 2013.

II. Tangible Assets

1. Land and buildings

	€	1.673.438,44
	31 st March 2012 €	1.764.080,44

The information shown concerns the industrial premises including all buildings located in Bremen, Hastedt. The premises has a size of 3,3 hectares with a frontage of ca. 238 m.

The carrying amounts have developed as follows:

	€
As at 31 st March 2012	1.764.080,44
Depreciation	-90.642,00
As at 31st March 2013	1.673.438,44

The carrying amounts apply to the mere land share in the sum of € 682.410,43.

2. Technical equipment and machinery

	€	2.007.601,00
	31st March 2012 €	2.370.200,00

	€
As at 31st March 2012	2.370.200,00
Additions	127.315,00
Depreciation	-489.914,00
As at 31st March 2013	2.007.601,00

Main additions have been analyzers, tools and equipment.

3. Other equipment, factory and office equipment

	€	634.172,00
	31st March 2012 €	707.196,00

	€
As at 31st March 2012	707.196,00
Additions	113.620,85
Deprecation	-186.644,85
As at 31st March 2013	634.172,00

Of the additions, t€ 40 apply to low-value assets with a maximum value of € 1.000. These assets are depreciated straight-line over five years.

III. Financial Assets

Participating interests

	€	18.064,71
	31st March 2012€	18.064,71

This position accounts for the 33,33% shareholding in the equity of Electrical Machine Industries, Bahrain. Sales with this firm only account for a minor degree of the company sales.

B. Current Assets

I. Inventories

	€	7.680.599,91
	31st March 2012 €	8.953.956,88

	31st March 2013	31st March 2012
	€	€
1. Raw materials	3.141.334,51	3.041.541,00
2. Work in progress	8.026.322,00	11.225.541,00
3. Finished goods	1.972.651,00	0,00
4. Payments on account	98.229,70	148.866,25
5. Payments received on account	-5.557.937,30	-5.461.992,17
	7.680.599,91	8.953.956,08

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

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

To 3: This concerns conduced payments in advance to three suppliers.

II. Receivables and other assets

1. Trade receivables

	€	7.023.615,45
	31st March 2012 €	6.583.601,25

	31st March 2013	31st March 2012
	€	€
Gross receivables	7.244.006,17	6.796.176,64
Provision for specific doubtful debts	154.968,72	151.619,52
General provision for doubtful debts	65.422,00	60.955,87
	7.023.615,45	6.583.601,25

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

As in the previous year, a general provision for doubtful debts in the amount of 1% of accounts receivables has been created due to a general credit risk.

2. Receivables from affiliated companies

	€	1.489.123,00
	31st March 2012 €	192.738,00

	31st March 2013	31st March 2012
	€	€
Kirsons B.V.	1.270.000,00	0,00
Kirloskar Indien	219.123,00	189.683,00
Kirloskar Malaysia	0,00	3.055,00
	1.489.123,00	192.738,00

Receivables are resulting from trade. In the business year licenses amounting to t€ 1.270 have been sold to the shareholder Kirsons B.V.

3. Other assets

	€	259.553,25
	31 st March 2012 €	338.573,48

	31st March 2013	31st March 2012
	€	€
Claim against insurance premium	200.000,00	71.000,00
Receivables tax office concerning trade tax 2011	21.891,00	10.947,00
Tax on input	13.541,47	214.547,39
Advances for travel expenses	11.160,00	2.060,00
Tax on input foreign country	2.604,24	29.891,24
Suppliers with debit balances	57,10	10.077,85
Others	10.299,44	50,00
	259.553,25	338.573,48

The claim against insurance premium results from engine breakdowns and is ultimately agreed on.

III. Cash and equivalents

	€	2.067.637,63
	31st March 2012 €	2.739.403,84

	31st March 2013	31st March 2012
	€	€
Time deposits	2.039.561,19	2.701.941,33
Current account surplus	28.076,44	28.067,95
Cash	0,00	9.394,56
	2.067.637,63	2.739.403,84

The time deposits apply to five guaranty truster (31st March 2012: seven).

C. Prepaid expenses

	€	259.553,25
	31st March 2012 €	183.099,07

The information shown mainly concerns delimited rent-, leasing-, maintenance- and insurance expenses as well as the company's credit on working time accounts (negative hours).

D. Deferred taxes

	€	2.481.706,50
	31st March 2012 €	2.370.446,86

The carrying amounts have developed as follows:

As at 31st March 2012	2.370.446,86
Own work capitalized	-6.795,10
Increase accrual für partial retirement	318,46
Provisions for contingent losses	152.274,12
Capitalization trade tax loss carried forward	167.090,00
Increase trade tax rate	107.900,28
Dissolution from supplementary tax balance sheet	-309.528,12
As at 31st March 2013	2.481.706,50

The computation depends on a trade tax rate of 16,1 %.

Liabilities

A. Equity

I. Limited liability capital

	€	3.330.000,00
	31st March 2012 €	3.330.000,00

The obligatory deposit consists of:

	31st March 2013	31st March 2012
	€	€
Kirsons B.V., Netherlands	3.160.000,00	3.160.000,00
Herr Dipl.-Ing. Berthold Groeneveld	170.000,00	170.000,00
	3.330.000,00	3.330.000,00

II. Capital reserves

	€	9.260.317,68
	31st March 2012 €	2.333.260,39

The shareholder Kirsons B.V. has increased the capital reserve by € 6,9 Mio.

III. Cumulated losses brought forward by limited partners

	€	550.127,61
	31st March 2012 €	0,00

IV. Loss for the period

	€	-6.459.869,92
	31st March 2012 €	-550.127,61

B. Provisions

Other Provisions

	€	4.425.575,99
	31st March 2012 €	2.453.990,82

Provisions for:	31st March 2012	Utilisation	Dissolution	Allocation	31st March 2013
	€	€	€	€	€
Contingent losses	0,00	0,00	0,00	1.042.522,00	1.042.522,00
Vacation	586.141,00	586.141,00	0,00	858.031,00	858.031,00
Partial retirement	345.414,70	345.414,70	0,00	377.046,81	377.046,81
Outstanding invoices	123.060,00	123.060,00	0,00	355.391,00	355.391,00
Warranties	325.000,00	325.000,00	0,00	325.000,00	325.000,00
Employer's Liability	303.250,00	242.604,89	0,00	230.639,31	291.284,42
Follow-up costs	103.220,00	35.220,00	0,00	205.500,00	273.500,00
Compensation	0,00	0,00	0,00	235.500,00	235.500,00
Flex-time account and overtime	209.784,00	209.784,00	0,00	198.183,00	198.183,00
Contractual penalty	120.000,00	68.175,00	0,00	88.175,00	140.000,00
Commissions	126.568,33	71.193,33	55.375,00	132.097,83	132.097,83
Storage of business records	49.884,86	5.000,00	0,00	5.000,00	49.884,86
Audit fees	40.030,50	40.030,50	0,00	46.496,25	46.496,25
Other	121.637,43	97.637,43	24.000,00	100.638,82	100.638,82
	2.453.990,82	2.149.260,85	79.375,00	4.200.221,02	4.425.575,99

Provisions for contingent losses account for current orders which are expected to be completed with a deficit. Provisions for vacation contain leave days as well as holiday pay. Partial retirements concern ten employees. The contractual penalty is for payments due to late distribution of the orders. The item "Flex-time account and overtime" mainly contains excess work-time of the employees at balance sheet date. The provision for commissions includes only provisions for orders received.

C. Liabilities

1. Shareholder accounts

	€	288.504,34
	31st March 2012 €	6.521.875,57

Of the given liabilities, € 56.500 are on the account of commercial transactions.
Further explanations are to be found in annex 7.

2. Bank loans and overdrafts

	€	10.404.077,43
	31st March 2012 €	9.054.017,50

	31st March 2013	31st March 2012
	€	€
Overdraft facility		
Bremer Landesbank	3.933.811,35	2.837.732,38
Deutsche Bank AG	2.861.483,17	1.440.996,63
Commerzbank	967.557,23	923.413,26
	7.762.851,75	5.202.142,27
Loans		
Deutsche Bank AG	1.000.000,00	1.000.000,00
Commerzbank	1.000.000,00	1.000.000,00
Bremer Landesbank	600.000,00	1.700.000,00
CommerzReal	0,00	136.053,00
	2.600.000,00	3.836.053,00
Accrued interest	41.225,68	15.822,23
	10.404.077,43	9.054.017,50

Regarding the valuation at the balance sheet date, balance confirmations received from banks were available. Details about remaining life and collaterals can be found in the notes (Annex 3).

3. Trade liabilities

	€	5.744.050,11
	31st March 2012 €	3.550.164,62

4. Payables to affiliated companies

	€	42.669,00
	31st March 2012 €	143.152,75

	31st March 2013	31st March 2012
	€	€
Kirloskar Indien	42.669,00	120.573,00
Kirloskar Malaysia	0,00	22.579,75
	42.669,00	143.152,75

5. Liabilities to general partner

	€	2.343,55
	31st March 2012 €	2.287,19

6. Other liabilities

	€	225.864,14
	31st March 2012 €	225.500,50

	31st March 2013	31st March 2012
	€	€
Liabilities from taxes		
Income and church tax	174.830,92	160.392,22
	174.830,92	160.392,22
Liabilities social security	6.998,47	8.965,32
Other		
Debtors on the credits side	32.820,25	541,00
Supplier incentives	7.100,00	15.990,00
Wages and salaries	0,00	1.857,56
Other	4.114,50	37.254,40
	44.034,75	55.642,96
	225.864,14	225.000,50

II	Profit and Loss Account	1st April 2012 to 31st March 2013	1st April 2011 to 31st March 2012
1.	**Sales**	€	€
	Sales domestic	21.593.895,35	18.422.944,71
	Sales non-domestic	18.503.855,45	15.112.857,51
		40.097.750,80	33.535.802,22
	Sales reduction, cash discounts domestic	105.827,36	182.152,27
	Sales reduction, cash discounts non-domestic	35.056,29	20.408,28
		140.883,65	202.560,55
		39.956.867,15	33.333.241,67
2.	**Changes in work in progress**	- 1.226.568,00	6.058.756,00
3.	**Other own work capitalized**	83.150,00	341.088,00
4.	**Other operating income**		
	Income relating to other periods		
	Dissolution of provisions	79.375,00	66.721,05
	Insurance refunds	3.754,61	0,00
	Gains from write-offs of liabilities	1.715,00	0,00
	Sale of fixed assets	720.00	46.515,96
	Dissolution of provision for specific doubtful debt	0.00	35.427,22
	Income from tax audit	0,00	19.403,00
	Other income related to other periods	7.768,87	4.816,83
		93.333,48	172.884,06
	Other operating income		
	Insurance refunds	298.151,02	2.639,10
	Rental income	59.404,00	63.325,91
	Remuneration in kind	44.341,95	31.297,20
|	Income from changes in provision for		
	follow-up costs	35.220,00	14.000,00
	warranties	0,00	100.000,00
	Short-time work compensation	22.840,47	0,00
	Foreign currency gains	8.735,07	17.545,28
	Dissolution of provision for general doubtful debt	0.00	9.307,74
	Other	44.404,83	50.878,23
		513.097,34	288.993,46
		606.430,82	461.877,52
5.	**Cost of materials**		
	a) Cost of raw materials, consumables and goods for resale	16.831.699,58	13.770.642,07
	Cash discounts received	14.593,95	142.673,55
		16.817.105,63	13.627.968,52
	b) Cost of purchased services	3.355.746,85	3.500.370,54
		20.172.852,48	17.128.339,06
6.	**Personnel expenses**		
	a) Wages and salaries		
	Wages and salaries	12.888.533,45	11.902.359,56
	Partial retirement	142.743,95	411.362,00
		13.031.277,40	12.313.721,56
	b) Social security		
	Employer's contribution to social security	2.311.705,97	2.159.794,25
	Employer's Liability Insurance		
	Association contribution	230.639,31	228.659,72
		2.542.345,28	2.388.453,97
		15.573.622,68	14.702.175,53
7.	**Depreciation of fixed intangible and tangible assets**	982.610,75	981.200,61

		1st April 2012 to 31st March 2013	1st April 2011 to 31st March 2012
		€	€
8.	**Other operating expenses**		
	Other periods and nonoperating expenses		
	Transfer to provision for specific doubtful debts	3.349,20	0,00
	Other expenses related to other periods	538,67	42.698,97
		3.887,87	42.698,97
	Repairs and maintenance	258.446,70	539.102,34
	Other operating expenses		
	Placement in the provision for contigent losses	1.042.522,00	0,00
	Power and fuel	852.652,89	852.541,87
	Travel expenses	649.337,04	561.035,01
	Insurance	412.947,94	326.949,96
	Rent and leasing	274.859,18	264.055,39
	Placement in the provision for follow-up costs	205.500,00	0,00
	Workman and staff welfare expenses	201.305,57	312.144,32
	Outstanding invoices	135.000,00	0,00
	Leasing staff	105.421,01	123.823,84
	Royalties	98.421,26	109.274,46
	Penalties	88.175,00	0,00
	Maintenance of vehicles	53.671,73	27.402,50
	Subscription to the technical associations	34.155,54	35.567,75
	Foreign currency losses	12.454,20	9.751,21
	Transfer to general provision for doubtful debts	4.466,13	0,00
	other	298.926,98	291.032,59
		4.469.816,47	2.913.578,90
	Administrative expenses		
	Legal and consulting costs	905.391,60	1.081.193,18
	Computing expenses	558.862,60	484.167,52
	Telephone and postal charges	76.266,79	66.769,48
	Bank charges	54.361,60	55.001,12
	Auditers Remuneration	36.000,00	53.870,00
	Printing and stationary	33.144,71	28.500,65
	Donations	7.300,00	11.650,00
		1.671.327,30	1.781.151,95
	Selling expenses		
	Selling expenses	816.501,17	1.049.478,46
	Commissions	630.920,36	490.634,37
	Advertising costs	93.675,80	110.322,85
	Entertainment expenses	34.150,99	25.908,89
		1.575.248,32	1.676.344,57
		7.978.726,66	6.952.876,73
9.	**Other interests receivables and similar income**		
	Discounting provisions	23.358,03	20.438,19
	Other interest	7.429,90	17.764,25
		30.787,93	38.202,44

		1st April 2012 to 31st March 2013		1st April 2011 to 31st March 2012
10. Interests and similar expenses		€		€
Interestsfor short-term liabilities		459.524,79		189.007,06
for shareholder loan		307.612,38		293.644,59
commission of bank guaranty expenses		243.925,39		236.541,67
for loan		189.801,56		203.960,75
other		45.759,97		74.784,96
		1.246.624,09		997.939,03
11. Ordinary operating results	-	6.503.768,76	-	529.365,33
12. Income taxes				
Change deferred taxes	+	111.259,64	+	56.677,90
Trade tax prior years		0,00	-	10.454,20
	+	111.259,64	+	46.223,70
13. Other taxes				
Land tax	-	64.204,80	-	64.204,80
Car tax	-	3.156,00	-	2.618,00
Other operating taxes		0,00	-	163,18
	-	67.360,80	-	66.985,98
14. Loss for the year	-	6.459.869,92	-	550.127,61

Annex 6

Basic Principles of Corporate Law

(Status 31st March 2013)

Company	Lloyd Dynamowerke GmbH & Co. KG, Bremen
Legal Form	Private Limited Partnership
Associates	Lloyd Beteiligungs-GmbH, Bremen (General Partner) Kirsons B.V., Amsterdam, Netherlands (Limited Partner) Mr Berthold Groeneveld, Weyhe (Limited Partner)
Capital shares of the personally liable associates	€ 0,00
Capital shares of the limited partners	Kirsons B.V. € 3.160.000,00 Berthold Groeneveld € 170.000,00 € 3.330.000,00
Seat	Bremen
Objective of the company	The objective of the company is aimed at the development, production and distribution of electrical and electronic Machines and appara tuses of all kinds,
a)	Participation – irrespective of the legal form - in industrial- and commercial enterprises, also the take over of the management and administration of a business of the type mentioned under a),
b)	Any other appropriate commercial utilisation of the company assets
Articles of Association	28th September 2006, last changes from 15th January 2009
Commercial Register Entry	Local Court of Bremen A 22689
Management	Lloyd Beteiligungs-GmbH (Managing Director: since 1st March 2013 Mr. Matthias Dankwardt; until 17th May 2013 Mr. Berthold Groeneveld)
Financial Year	1st April – 31st March

Shareholder accounts **Annex 7**

from 1st April 2012 to 31st March 2013

	Limited liability capital			Liabilities to shareholders		
	Kirsons B.V.	Hr. Groeneveld	Total	Kirsons B.V.	Hr. Groeneveld	Total
	€	€	€	€	€	€
1.4.2012	+ 3.160.000,00	+ 170.000,00	+ 3.330.000,00	+ 6.219.444,91	+ 0,00	+ 6.219.444,91
Interest shareholders loan				+ 307.612,38		+ 307.612,38
Contribution shareholder loan				+ 400.000,00		+ 400.000,00
Release Agreement				- 6.927.057,29		- 6.927.057,29
Loan as at 31.3.2013	+ 3.160.000,00	+ 170.000,00	+ 3.330.000,00	+ 0,00	+ 0,00	+ 0,00
Shareholder clearing accounts 1.4.2012				+ 301.732,11	+ 698,55	+ 302.430,66
Allowable taxes				- 1.859,45	- 100,03	- 1.959,48
Allowable other foreign taxes				- 64.971,55	- 3.495,29	- 68.466,84
Other allowable / contribution				+ 56.500,00	+ 0,00	+ 56.500,00
Shareholder clearing accounts 31.3.2013	+ 0,00	+ 0,00	+ 0,00	+ 291.401,11	- 2.896,77	+ 288.504,34
Total Shareholder accounts				291.401,11	- 2.896,77	288.504,34

LLOYD BETEILIGUNGS-GmbH

BREMEN, GERMANY

Annual Report 2012 - 2013

1. Audit assignment

From the management of

"Lloyd Beteiligungs-GmbH, Bremen"
(also referred to in the following as "Company")

we were selected as the auditor for the accounts for the period 1st April 2012 to 31st March 2013. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for 31st March 2013 (Annex 1 - 3)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2012 and provided/issued an unrestricted audit certificate.

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

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

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 5. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

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

We consider the representation and assessment of the company's situation and its prospective development by the management in the statement of accounts to be appropriate and accurate.

3. Focus, Method and Scope of the Audit

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

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

The audit was carried out during the period from 16th April 2013 until 2nd May 2013.

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

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

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

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

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents and the statement of accounts correspond to the legal rules and the supplementary regulations of the partnership agreement. The Lloyd Beteiligungs-GmbH is a small company according to § 267 Art. 3 German Commercial Code (HGB).

4.1.2.Bookkeeping and other audited documents

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

The accounting of the company takes place using data processing.

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

4.1.3. Statement of accounts (Balance sheet)

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

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

4.2. Overall statement of the balance sheet

The balance sheet for 31st March 2013 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

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

5. Reproduction of the auditor's opinion

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

Based on the result of our audit, we have provided the accompanying statement of accounts (Annex1-3) dated 31st March 2013 of Lloyd Beteiligungs-GmbH, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Lloyd Beteiligungs-GmbH for the period 1st April 2012 to 31st March 2013. The maintenance of the books and records and the preparation of the financial statements in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

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

Our audit has not led to any reservations.

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

Bremen, 2nd May 2013

WSG Hanseatische Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft

Signed Gerstmayr German Public Auditor	signed Senge German Public Auditor	(Seal)

* * *

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

Bremen, 2nd May 2013

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr German Public Auditor	Senge German Public Auditor

Balance Sheet as at 31st March 2013

Annex 1

Assets		**31st March 2013**	31st March 2012
	€	€	t€
A. Current Assets			
I. Receivables and other assets			
1. Receivable from companies in which the company has participating interest	2.343,55		2
2. Other assets	533,17		1
		2.876,72	
II. Cash and equivalents		37.648,65	36
		40,525,37	39
Liabilities			
A. Equity			
I. Subscribed capital	25.000,00		25
II. Unappropriated profits brought forward	14.059,18		13
III. Profit for the period	1.234,17		1
		40,293,35	
B. Tax provisions		232,02	0
		40.525,37	39

Profit and loss account for the Period 1st April 2012 to 31st March 2013

Annex 2

	1st April 2012-31st March 2013	1st April 2011-31st March 2012
	€	€
1. Other operating income	2.343,55	2.542,82
2. Other operating expenses	908,18	1.474,89
3. Other interests receivables and similar income	30,82	0,00
4. Ordinary operating results	1.466,19	1.067,93
5. Income taxes	232,02	128,55
6. Profit for the period	1.234,17	939,38

Explanatory notes for the financial statements as at 31st March 2013

Annex 3

General Information

Preliminary note to the report

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

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

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

Accounting and valuation policies

Receivables and other assets are recorded at historical cost or face value. Liabilities are basically recorded at amounts to be repaid.

Notes to balance sheet items

1. Receivables and other assets

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

2. Equity

Subscribed capital amounts to EUR 25.000,00. The capital was completely paid-in at balance sheet date.

Other information

1. Shareholder

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

2. General partner

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

3. Consolidated financial statement

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

4. Managing director

Managing director for the Lloyd Beteiligungs-GmbH were in 2012 / 2013:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Explanation of the positions on the review of the financial statements for the period 1st April 2012 to 31st March 2013 **Annex 4**

I. Balance Sheet

Assets

A. Current Assets

I. Receivables and other assets

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

	€	2.343,55
31st March 2012	€	2.287,19

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

2. Other assets

	€	533,17
31st March 2012	€	1.347,92

	31st March 2013	31st March 2012
	€	€
Receivable tax office corporate income tax	533,17	1.347,92
	533,17	1.347,92

II. Cash and equivalents

	€	37.648,65
31st March 2012	€	35.424,07

	31st March 2013	31st March 2012
	€	€
Current account surplus	37.648,65	35.424,07

Liabilities

A. Equity

I. Subscribed capital

	€	25.000,00
31st March 2012	€	25.000,00

II. Unappropriated profits brought forward

	€	14.059,18
31st March 2012	€	13.119,80

III. Profit for the period

	€	1.234,17
31st March 2012	€	939,38

II.	Income statement		1st April 2012- 31st March 2013
			€
1.	**Other operating income** General partner fees		2.343,55
2	**Other operating expenses** Legal and consulting fees, bank charges		908,18
3.	**Other interests receivables and similar income**		30,82
4.	**Ordinary operating results**	+	1.466,19
5.	**Income taxes** Corporate income tax	–	232,02
6.	**Profit for the period**	+	1.234,17

Other information

1. Shareholder

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

2. General partner

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

3. Consolidated financial statement

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

4. Managing director

Managing director for the Lloyd Beteiligungs-GmbH were in 2012 / 2013:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Explanation of the positions on the review of the financial statements for the period 1st April 2012 to 31st March 2013 **Annex 4**

I. Balance Sheet

Assets

A. Current Assets

I. Receivables and other assets

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

	€	2.343,55
31st March 2012	€	2.287,19

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

2. Other assets

	€	533,17
31st March 2012	€	1.347,92

	31st March 2013	31st March 2012
	€	€
Receivable tax office corporate income tax	533,17	1.347,92
	533,17	1.347,92

II. Cash and equivalents

	€	37.648,65
31st March 2012	€	35.424,07

	31st March 2013	31st March 2012
	€	€
Current account surplus	37.648,65	35.424,07

Liabilities

A. Equity

I. Subscribed capital

	€	25.000,00
31st March 2012	€	25.000,00

II. Unappropriated profits brought forward

	€	14.059,18
31st March 2012	€	13.119,80

III. Profit for the period

	€	1.234,17
31st March 2012	€	939,38

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 66th Annual General Meeting of the Company at Vivanta by Taj, No.2-172-4,Tumkur Road, Yeswantpur, Bangalore-560022 at 10.00 AM on Monday the 30th September, 2013.

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 failling him ______________ in the District of ______________ of ______________ or failling him ______________ of ______________ as my / our proxy to attend and vote for me / us on my / our behalf at the 66th Annual General Meeting of the Company to be held at Vivanta by Taj, No.2-172-4,Tumkur Road, Yeswantpur, Bangalore-560022 at 10.00 AM on Monday the 30th September, 2013.

As witness my hand /our hand this ______________ day of ______________ 2013

Signed by the ______________

Affix
Rs. 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, Rajajinagar, Bangalore 560 010, not later than 48 hours before the time of holding the meeting

If undelivered please return to:

KIRLOSKAR ELECTRIC COMPANY LTD.

P.B. No. 5555, Malleswaram West, Bangalore - 560 055, India