



KIRLOSKAR ELECTRIC COMPANY LTD.

Q  
A way of life  
uality

61<sup>ST</sup>  
Annual Report

Balance Sheet as on 31st March, 2008 and Profit and Loss Account for the Year ended 31st March, 2008

## KIRLOSKAR ELECTRIC COMPANY LTD.

Board Of Directors : **Vijay R. Kirloskar**  
Chairman & Managing Director

**A. S. Lakshmanan**

**S. N. Agarwal**

**Anil Kumar Bhandari**

**Sarosh J. Ghandy**

**V. P. Mahendra**

**Kamlesh Gandhi**

**Mythili Balasubramanian**  
IDBI Nominee

**Ramesh D. Damle**  
LIC Nominee

**P. S. Malik**  
Joint Managing Director

Company Secretary : **P. Y. Mahajan**

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

Bankers : Bank of Baroda  
Bank of India  
State Bank of India  
State Bank of Mysore  
State Bank of Travancore  
The Hong Kong & Shanghai Banking Corporation Ltd.  
Bank of Commerce, Kuala Lumpur(Malaysia)

Registered Office : Industrial Suburb, Rajajinagar  
Bangalore – 560 010

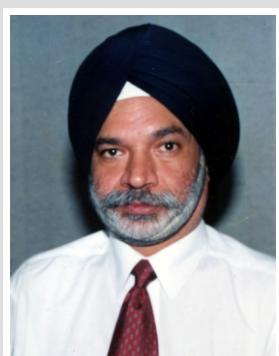
Factories : Belvadi Industrial Area, Mysore  
Gokul Road, Hubli  
Gurgaon, Haryana  
Dulagarh, Kolkatta



## BOARD OF DIRECTORS



**Vijay R. Kirloskar**  
Chairman & Managing Director



**P. S. Malik**  
Joint Managing Director



**A. S. Lakshmanan**



**S. N. Agarwal**



**Anil Kumar Bhandari**



**Sarosh J. Ghandy**



**V. P. Mahendra**



**Kamlesh Gandhi**



**Mythili Balasubramanian**  
IDBI Nominee



**Ramesh D. Damle**  
LIC Nominee



## FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Fellow Shareholders,

Another year passes by and I am sure you are content with the performance of your company. The growth that the company has witnessed over the past five years has been sustained in a strong and steady way. After completing the restructuring activities in 2004, the company has grown to its highest ever turnover of Rs. 728 Crores with a profit after tax of Rs. 23.7 Crores in 2007-2008. These correspond to a growth rate of 23% in turnover and a 32% in profit. I am sure you will find these results satisfying but I continue to strive to achieve higher targets and assure you that the Company shall continuously work to improve itself.



The Indian economy continues its high sustained growth rate of 9% despite the prevailing turmoil of the world's financial markets and the increase in the commodity prices. The Indian economy is now poised to grow at a good rate although inflation may moderate the growth rates. However, the government's concentration on infrastructure and in particular the power sector will help in the growth of your Company's business. The Company's order books stood at a record high of 132.55 Crores. To capitalize on the demand for our products, we have increased our marketing presence by adding 5 new sales offices in the previous year. We continue to invest in new infrastructure and strengthen our human resources to meet this growing demand. We are focusing our energies in particular on our transformer and rotating machine business where we strive to make bigger and larger machines for our esteemed customers in India and abroad. Similarly, we continue our increase our presence in the Switchgear and Electronics area. Our new business of diesel generating sets under the brand name "BLISS" continues to grow well and we plan to expand the existing range of products

In this year, your Company has decided to combine the assets and liabilities of the three firms namely, Kirloskar Electric Co. Ltd., Kaytee Switchgear Limited and Kirloskar Power Equipments Ltd. to form a single business entity. This merger will allow your Company to capitalize on the new synergies in terms of revenue enhancement and cost savings. By merging the three entities, your Company hopes to benefit from improved market reach and visibility as well as be able to achieve economies of scale. With the completion of this merger, your Company shall be in a position to deliver enhanced market power in the upcoming year.



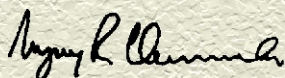
## FROM THE CHAIRMAN AND MANAGING DIRECTOR

My fellow shareholders, it is my ambition in the current year that the Company will cross the four figure mark in turnover. We are hoping to sustain the profit margins by constantly working on cost saving methods through better design and increased efficiencies to combat the increases in commodity prices in India. We continue to implement quality improvement programs to offset the higher raw material prices. We are also focusing on bringing in new talent and competencies of people in the organization and building upon the existing strengths of my colleagues, officers and workmen to move this Company to be a key player in the Indian market.

With the growth being witnessed all over the world, it is time for us to adopt a more global outlook about our business and measure ourselves on par with the leading companies of the world. In order to further the business, your Company shall continue to seek the best technologies and if necessary, invest appropriately in new or current business all over the world so that your Company can be a world market player.

Finally, I would like to take this opportunity to express my gratitude to the Financial Institutions and Banks for the sustained support to the Company. I would also like to thank all our valued customers, domestic and international, for their unstinted support. I sincerely appreciate the contribution and efforts of all our employees without which the Company would not have been able to overcome its difficult times. I would like to thank you, the shareholders of the Company for the confidence that you have placed with your Company's management and Board of Directors. I request you to continue to extend your whole hearted support so that we can work together to accelerate the growth of the Company.

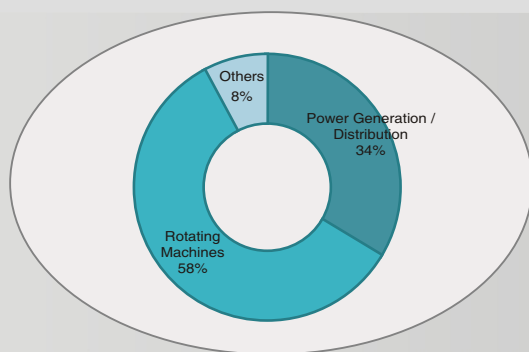
With kind regards,  
Yours sincerely



**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

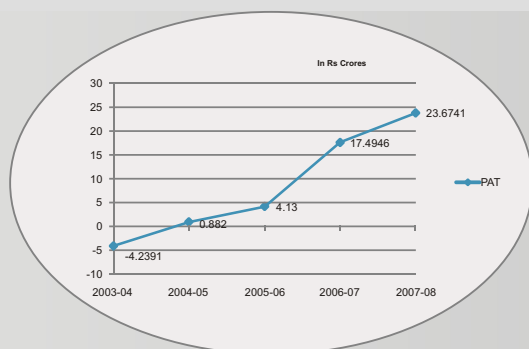
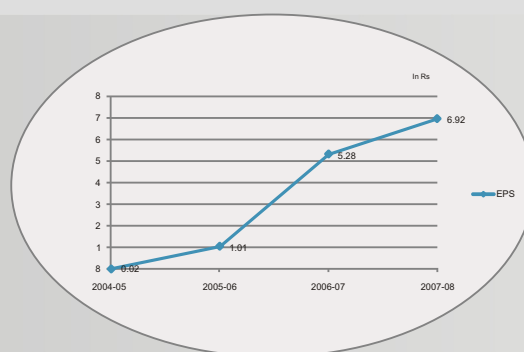


## Financial Summary



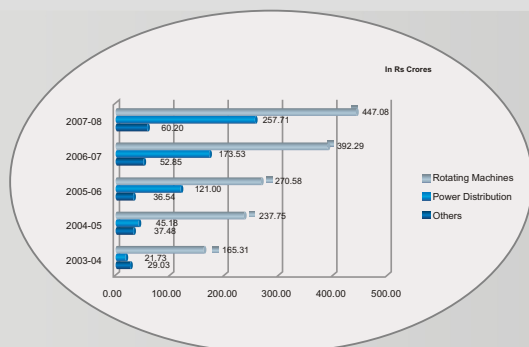
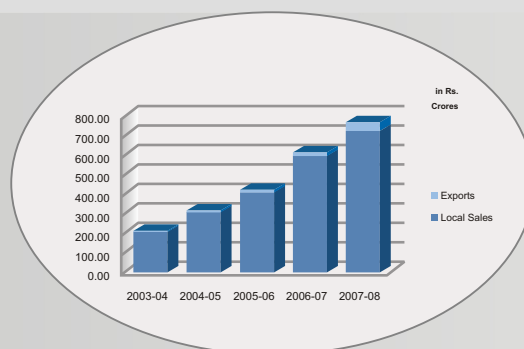
Share of various segments in total turnover

Evolution of EPS over the years



Evolution of PAT

Share of Exports in total revenue



The Evolution of Revenue over the Years

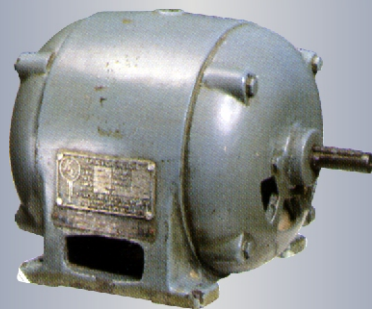


" Quality must go beyond standard tests and procedures.  
It must be equated with self-respect and personal pride. "



**RAVI L. KIRLOSKAR**

1917 - 1982



The first motor designed and developed by Kirloskar Electric in the year 1948

*The product that ushered our journey into the electrical world*



## Significant Developments in Operations

### Introduction of New Products

Kirloskar Electric has introduced "BLISS", the Freedom Series of Diesel Generating Sets with a capacity rating of 12.5kVA to 25kVA. This augments the existing Republic Series range which has a capacity rating of 30kVA to 160kVA.

The unique advantage that Kirloskar Electric' "BLISS" Diesel Generating Sets have is that a fully assembled DG Set is available to customers for immediate use.

The Freedom Series caters to a market segment comprising of hospitals, telecommunications, residential, utilities and industrial markets.



### Expansion of Manufacturing Facilities

Transformer manufacturing facilities have been enhanced with the addition of a new Greenfield, manufacturing facility set up at Kondhapuri, Maharashtra. This plant shall be manufacturing both Cast Resin and Oil Filled Transformers.

To meet the growing demand for Power, Kirloskar Electric has introduced a new manufacturing facility in Gurgaon, Haryana in addition to its existing facilities at Hubli, Karnataka and Kolkata, West Bengal.

### Increased Market Visibility

Kirloskar Electric has expanded its market reach within India by adding new sales offices at Goa, Dehradun, Raipur and Vadodara. With the addition of these new offices, Kirloskar Electric now boasts of 30 sales offices located country wide.

In addition, Kirloskar Electric has focused on adding additional human resources to its present sales force.

## Industry Events



### ELROMA 2008

Mr. Vijay Kirloskar lighting the lamp at ELROMA 2008, Mumbai

Mr. Vijay Kirloskar delivering the keynote address for ELROMA 2008



Mr. P. S. Malik inaugurating ELROMA 2008 at Mumbai

Mr. Vijay Kirloskar at ELROMA 2008 with the Kirloskar Electric team





## Memorable Events



Felicitating  
Dr. Yenagi Balappa & Sheshagiri Das

Blood Donation Camp held on the  
eve of Late Ravi Kirloskar's 91st Birth Anniversary



Donating Scouts & Guides Uniforms to  
the Ravi Kirloskar's School at the Hubli

A training on "Quality of Life"  
for Employees' Wives





## Community Service



Amruth Biological and Chemical Services is the diagnostic branch of Ravi Kirloskar Memorial Hospital. Started in 2005. It is a modern diagnostic center with 24 hours facility for laboratory and imaging services. The diagnostic facility has the latest fully automated analysers, blood cell counters, digital x-rays, sub-second CT scan, hormonal and immuno assay machine.



Ravi Kirloskar Memorial Hospital was started in 1988 in memory of late Shri Ravi L. Kirloskar. It has been catering to the medical needs of the industrial workmen of Peenya Industrial Estate and also to the local population in and around Peenya. The hospital offers subsidized treatment to people coming from lower income group. It has a 75 bed with ICU, operating room, 24 hours casualty with emergency services, 24 hours dialysis facility, 24 hours laboratory and imaging facility. It also has modern physiotherapy and ayurvedic rejuvenation center.



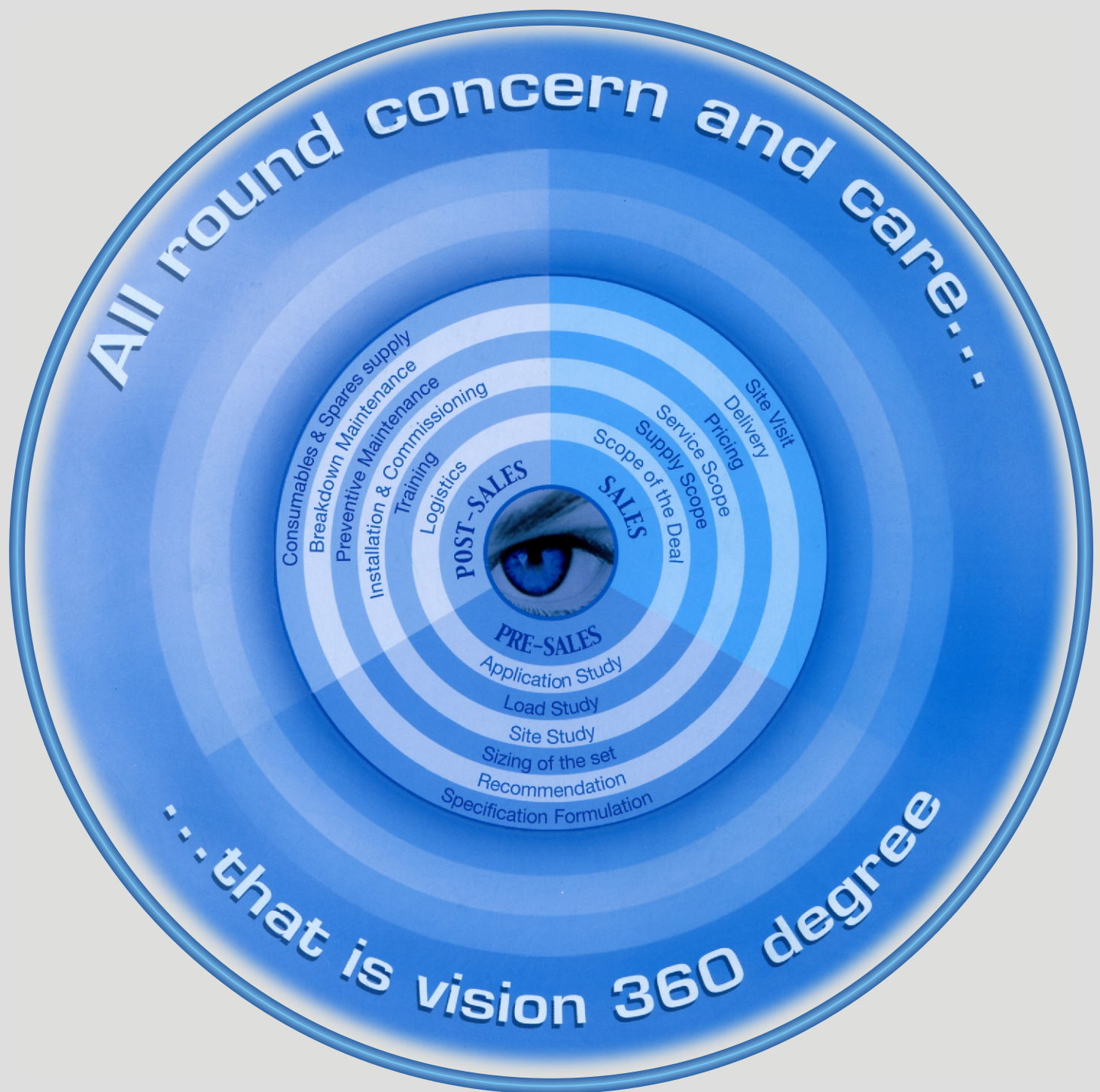
Nethradhama Superspeciality Eye Hospital is now, a part of Ravi Kirloskar Memorial Hospital. It has state of art facilities in eye care diagnosis and a highly reputed team of specialists under the leadership of Dr. Ganesh.



Ravi Kirloskar Memorial Hospital has added one more feather in its cap by lighting up the community and bringing Chethana Nursing School to its campus.



## Strength



Sixty years of experience in offering engineering products has enabled Kirloskar Electric to focus on the complete needs of the customer in all areas of sales.

**DIRECTORS' REPORT**TO THE SHAREHOLDERS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008

To  
The Shareholders

Your Directors present the Company's 61<sup>st</sup> Annual Report with the Audited Balance Sheet as at 31<sup>st</sup> March, 2008 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008.

**RESULTS OF OPERATIONS**

	Rs. in million	
	<b>2007-08</b>	<b>2006-07</b>
Income	<b>7277.8</b>	5913.9
Expenditure	<b>6605.7</b>	5309.3
<b>Gross Profit</b>	<b>672.1</b>	604.6
Operating expenses	<b>372.8</b>	288.7
<b>Operating Profit before interest and depreciation</b>	<b>299.3</b>	315.9
Interest	<b>38.3</b>	33.9
Depreciation, amortisation and provisions	<b>47.9</b>	123.3
Operating profit before tax and extraordinary items	<b>213.1</b>	158.7
Other income, net	<b>59.6</b>	24.9
<b>Net profit before tax and extraordinary items</b>	<b>272.7</b>	183.6
Provision for taxation	<b>-</b>	7.8
<b>Net profit after tax and before extraordinary items</b>	<b>272.7</b>	191.4
Extraordinary Item	<b>36.0</b>	16.5
<b>Net profit after tax and after extraordinary items</b>	<b>236.7</b>	174.9

**COMPANY PERFORMANCE**

During the year under report, your Company has achieved a turnover (Gross) of Rs.7.65 billion (previous year Rs. 6.19 billion). The operations have resulted in a net profit of Rs. 236.74 million (previous year Rs.174.95 million).

**INDUSTRY OUTLOOK**

The Electrical Industry has been witnessing consistent double digit growth during last about five years. The performance of the industry is directly related to the country's GDP growth. The growth momentum exhibited by the industry is expected to continue.

**APPROPRIATIONS****DIVIDEND**

In order to conserve resources for future growth your Directors regret their inability to recommend any dividend for the year under report.

**SUBSIDIARY – KAYTEE SWITCHGEAR LIMITED**

Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary company Kaytee Switchgear Limited for the year ended 31<sup>st</sup> March, 2008 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required.

Kaytee Switchgear Limited has achieved a turnover (Gross) of Rs.4.67 billion as against Rs. 3.82 billion in the previous year, showing a growth of 22.25%. The operations have resulted in a net profit of Rs.271.18 million during the year as against Rs. 141.22 million in the previous year.

**ENVIRONMENT, SAFETY AND ENERGY CONSERVATION**

As required by the Companies (Disclosure of Particulars in the Report of Board 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**

During the year under report there were no employees drawing remuneration in excess of the limits specified under section 217(2A) of the Companies Act, 1956.

**CORPORATE GOVERNANCE**

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

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

These annexures form part of this report.



### DIRECTORS

Mr. A.S.Lakshmanan and Mr. Anil Kumar Bhandari retire by rotation and being eligible offer themselves for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2008 and of the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

### SCHEME OF ARRANGEMENT AND AMALGAMATION

During the year the Company proposed a Scheme of Arrangement and Amalgamation between Kirloskar Power Equipments Limited and Kaytee Switchgear Limited. The Scheme has been approved by the shareholders and creditors of the respective companies. The petitions filed by the companies have been admitted by the Hon'ble High Courts. The Scheme once approved will result in consolidation of businesses which will enable, interalia, exploration of growth opportunities and effective utilisation of group resources.

### HUMAN RESOURCES

The Company considers its employees as its most valuable asset. The Company focuses on building an organization through induction and development of talent to meet current and future needs. A performance management system is in place to facilitate individual and team development for better performance and higher yield. We have a judicious system of reward and recognition. In order to attract and retain talent, the Company maintains the compensation structure on par with that of the industry. We continue to make efforts to provide our people with an environment in which they can give their best and realise their full potential. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

### SEGMENTWISE OPERATIONAL PERFORMANCE

#### TRANSFORMERS

During the year under review the sales of transformers amounted to Rs. 1433.4 million as against Rs. 1031.4 million, registering an increase of over 38.98%.

#### ELECTRONICS AND SWITCHGEAR

During the year under review the sales of electronics and switchgear amounted to Rs. 533.48 million as against Rs. 531.7 million, registering an increase of over 0.33 %.

#### PROJECTS & SYSTEMS

During the year under review the sales of Projects and Systems Group amounted to Rs. 188.85 million as against Rs. 129.2 million, registering an increase of over 46.17%.

### TECHNOLOGY, INVESTMENTS AND ACQUISITIONS

To improve its business prospects and its position and strength and to remain competitive, the Company need update its technology and also increase its areas of operation in various ways. With this view in mind, the Company proposes to go in for joint ventures , foreign collaborations, investments as also acquisitions in India/abroad.

### AUDITORS' REPORT

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

#### Para 8 of the Auditors' Report

The Company's policy is to account every income/expenditure during the year itself, only exceptional items have been left out . Compared to the volume of the business of the Company, it is insignificant and has no impact on the accounts. Action has been taken to implement the balance portion relating to AS 5 (Prior Period Items).

#### Para 10 of the Auditors' Report.

As mentioned in Note 23, the Company is confident of realising the amounts due from certain companies referred to therein.

#### Para 1b of Annexure to the Auditors Report

The major work has been completed and it is expected to complete the balance work shortly. Action as may be necessary will be initiated thereafter.

#### Para 2 a of Annexure to the Auditors Report

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

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

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

AUDITORS

M/s. B. K. Ramadhyani & Co., Chartered Accountants are the retiring Auditors in India. They are eligible for re-appointment. M/s. Sundar & Associates, Chartered Accountants, Malaysia were appointed as Auditors for the year 2007-08 in casual vacancy in place of M/s. Chari & Co., Chartered Accountants consequent to the merger of M/s. Chari & Co. with M/s. Sundar & Associates. M/s. Sundar & Associates are eligible for appointment. The required certificates to the effect that the re-appointment/ appointment, if made, will be within the limit specified in Section 224(1-B) of the Companies Act, have been received from M/s. B. K. Ramadhyani & Co., and M/s. Sundar & Associates.

FIXED DEPOSITS

17 persons had not claimed repayment of their matured deposits amounting to Rs. 3.67 lakhs as at 31<sup>st</sup> March, 2008.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors,

Bangalore  
Date : 27<sup>th</sup> June, 2008

**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 continues to conserve energy by

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

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

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

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

- Not Applicable

#### B. Technology Absorption

##### 1. Research and Development

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

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

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

##### 3. Future plan of action :

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

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

##### 4. Expenditure on R & D

	(Rs. in 000's)
Capital	Nil
Recurring	2119
<b>Total</b>	<b>2119</b>
<b>Total R &amp; D Expenditure</b>	<b>2119</b>
<b>as a % of total turnover</b>	<b>0.03</b>

##### 5. Technology Absorption, Adaptation and Innovation

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

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

##### b. Benefits derived as a result of the above efforts

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

##### c. Future Plan of Action

- upgradation of existing technology
- Development of new processes

##### d. Technology imported during the last 5 years.

A. Technology Imported - Nil

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

**C. Foreign Exchange Earnings and Outgo**

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

(Rs. in 000's)

(i) FOB value of goods exported (net inclusive of sales within India eligible for export incentives.	352878
(ii) Dividend on shares (net of tax)	102
(iii) Repatriation of Profit	Nil
(iv) Others	15797
2. Value of imports calculated on the CIF basis.	
(i) Raw materials & Components and spare parts.	46419
(ii) Capital Goods	1540

For and on behalf of the Board of Directors,

Bangalore  
Date : 27<sup>th</sup> June, 2008

**Vijay R. Kirloskar**  
Chairman & Managing Director



## ANNEXURE TO THE DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

#### COMPANY'S PHILOSOPHY

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

#### BOARD OF DIRECTORS

The Company is presently having ten Directors out of which two are Executive Directors and eight Non - Executive – Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 80%.

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

During the financial year, six Board Meetings were held. The meetings were held on 25.6.2007, 30.8.2007, 29.10.2007, 28.11.2007, 28.1.2008 and 3.3.2008.

The composition of Board of Directors and Directors' attendance at the Board Meetings and the number of other directorships and Committee Memberships held by them on the date of Report are given below.

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

@ as on 27.6.2008 and Directorships held in other Public Limited Companies only .

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

#### AUDIT COMMITTEE

The Audit Committee consists of five independent Non-Executive Directors.

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

## KIRLOSKAR ELECTRIC COMPANY LTD.

During the financial year, the Committee met on 31.5.2007, 25.6.2007, 31.7.2007, 29.10.2007, 28.1.2008 and 3.3.2008. The particulars of meetings attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. S.N. Agarwal	4	Chairman
Mr. A.S. Lakshmanan	6	Member
Mr. Anil Kumar Bhandari	4	Member
Mr. Sarosh J Ghandy	6	Member
Mr. V.P. Mahendra*	3	Member

Mr.V.P. Mahendra joined the Committee from 31.7.2007.

### SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE:

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 4.3.2008 and reviewed the status of shareholders' grievances, approved share transfers, etc.

The terms of reference of Shareholders/Investors Grievances Committee include, interalia, to look into the shareholders and investors complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc. and to redress the same.

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

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

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

### REMUNERATION COMMITTEE

The Remuneration Committee consists of following Directors : -

Mr. S.N. Agarwal	-	Chairman
Mr. A.S. Lakshmanan	-	Member
Mr. Anil Kumar Bhandari	-	Member
Mr. Sarosh J Ghandy	-	Member
Mr. Ramesh D Damle	-	Member

During the year under review, the Committee met on 25.6.2007.

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

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

### REMUNERATION POLICY

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

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

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

The number of employees working in the organisation as on 31.3.2008 was 370.



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

### EXECUTIVE DIRECTORS:

Rs. in lakhs

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

\* No remuneration is being paid to Mr. Malik from the Company w.e.f. 1.4.2003 after his appointment in Kaytee Switchgear Limited (Subsidiary Company).

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

Mr. P.S.Malik has been appointed for a period of three years with effect from 10.10.2006 and the appointment is terminable by either party by giving three months notice to the other.

Severance compensation of three months salary is payable to Mr. Malik, if his office is terminated before the contractual period.

Name of the Director	Non Executive Directors : Fees paid for attending Board/ Committee Meetings Rs.
Mr. S.N. Agarwal	43000
Mr. A.S. Lakshmanan	54000
Mr. Anil Kumar Bhandari	38000
Mr. Sarosh J Ghandy	54000
Mrs. Mythili Balasubramanian*	5000
Mr. Ramesh D Damle	23000
Mr. V.P. Mahendra	29000
Mr. Kamlesh Gandhi	30000

\* Fees paid to IDBI

### Shareholdings of Non Executive Directors as on 31.3.2008

Non Executive Director	Shareholding - No. of Shares
Mr. A.S. Lakshmanan	19909
Mr. S.N. Agarwal	500
Mr. Anil Kumar Bhandari	500
Mr. Sarosh J Ghandy	615
Mrs. Mythili Balasubramanian	Nil
Mr. Ramesh D Damle	500
Mr. V.P. Mahendra	2533
Mr. Kamlesh Gandhi	500

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

### CODE OF CONDUCT

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

### DECLARATION PERTAINING TO COMPLIANCE WITH THE CODE OF CONDUCT OF THE COMPANY

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for 2007-08.

Bangalore  
June 27 , 2008

**Vijay R. Kirloskar**  
Chairman & Managing Director

## KIRLOSKAR ELECTRIC COMPANY LTD.

### GENERAL BODY MEETINGS

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

AGM	YEAR	VENUE	DATE	TIME
58TH	Apr 2004-Mar 2005	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	29.9.2005	10.00 A M
59TH	Apr 2005-Mar 2006	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	28.9.2006	10.00 A M
60TH	Apr 2006-Mar 2007	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003	30.08.2007	10.00 A M

Special Resolutions passed in the previous three Annual General meetings :

Year	Special Resolution
2004-05	<ol style="list-style-type: none"><li>1. Appointment of M/s. B.K.Ramadhyan &amp; Co. Chartered Accountants, Bangalore as Auditors of the Company.</li><li>2. Appointment of M/s. Chari &amp; Co., Chartered Accountants, Kuala Lumpur, Malaysia as auditors of the Company's Sales Office at Malaysia.</li><li>3. Re-appointment of Mr.D.R.Venkatesha Murthy as a wholetime Director for a period of one year from 10.10.2005.</li><li>4. Re-appointment of Mr. Vijay R Kirloskar as Managing Director for a period of five years w.e.f. 17.8.2005.</li><li>5. Appointment of Ms. Janaki Kirloskar, Daughter of a Director to hold an office or place of profit under the Company.</li></ol>
2005-06	<ol style="list-style-type: none"><li>1. Re-appointment of Mr.PS.Malik as a wholetime Director for a period of three years w.e.f.10.10.2006</li><li>2. Approval for payment of remuneration to Mr.PS.Malik, Dy.Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.</li></ol>
2006-07	<ol style="list-style-type: none"><li>1. Appointment of Mr. PS.Malik as Joint Managing Director from 25th June,2007 till 9th October, 2009.</li><li>2. Approval for payment of remuneration to Mr.PS.Malik, Joint Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.</li></ol>

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

### DISCLOSURES

#### Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Audit Committee reviews periodically related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others, that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 28 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.



## **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 requirements have been followed to the following extent : -

### **REMUNERATION COMMITTEE**

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

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

### **CHAIRMAN'S OFFICE**

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

### **SHAREHOLDERS' RIGHTS**

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

### **TRAINING OF BOARD MEMBERS**

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

### **WHISTLE BLOWER POLICY**

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

### **Means of Communication**

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

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

Information about the Company in general and its financial results can be accessed at the Company's website [www.kirloskar-electric.com](http://www.kirloskar-electric.com).

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

### **Shareholders' Information**

#### **ANNUAL GENERAL MEETING**

Date : 17th September 2008  
Time : 10.00 A.M.  
Venue : Chowdiah Memorial Hall  
Gayathri Devi Park Extension  
Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2007 to 31st March, 2008

### **Financial Calendar**

Un-audited Results for the quarter ended	Approved on	Published in
30.6.2007	31.07.2007	Business Standard Samyuktha Karnataka
30.09.2007	29.10.2007	Business Standard Samyuktha Karnataka
31.12.2007	28.01.2008	Business Standard Samyuktha Karnataka
31.03.2008	27.6.2008	Financial Express Samyuktha Karnataka

Financial Calendar for the period till 31.3.2009 is as given below :

Un-audited results for the quarter ending June, 2008	: Last week of July, 2008
Un-audited results for the quarter ending September, 2008	: Last week of October, 2008.
Un-audited results for the quarter ending December, 2008	: Last week of January, 2009.
Un-audited results for the quarter ending March, 2009	: Last week of April , 2009, unless the Company decides to publish audited results directly as per Listing Agreements.

## KIRLOSKAR ELECTRIC COMPANY LTD.

Date of Book Closure : Tuesday the 9th, September 2008 to Wednesday the 17th, September 2008.

Dividend Payment Date : The Company has not declared any dividend for the financial year 2007-08.

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.  
Madras Stock Exchange Ltd.  
The shares of the Company are also traded on the Indo Next Platform of  
Bombay Stock Exchange Ltd.

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

ISIN Number : INE 134B01017

The listing fees for 2008-2009 have been paid to both the Stock Exchanges where the shares are listed .

### MARKET PRICE DATA

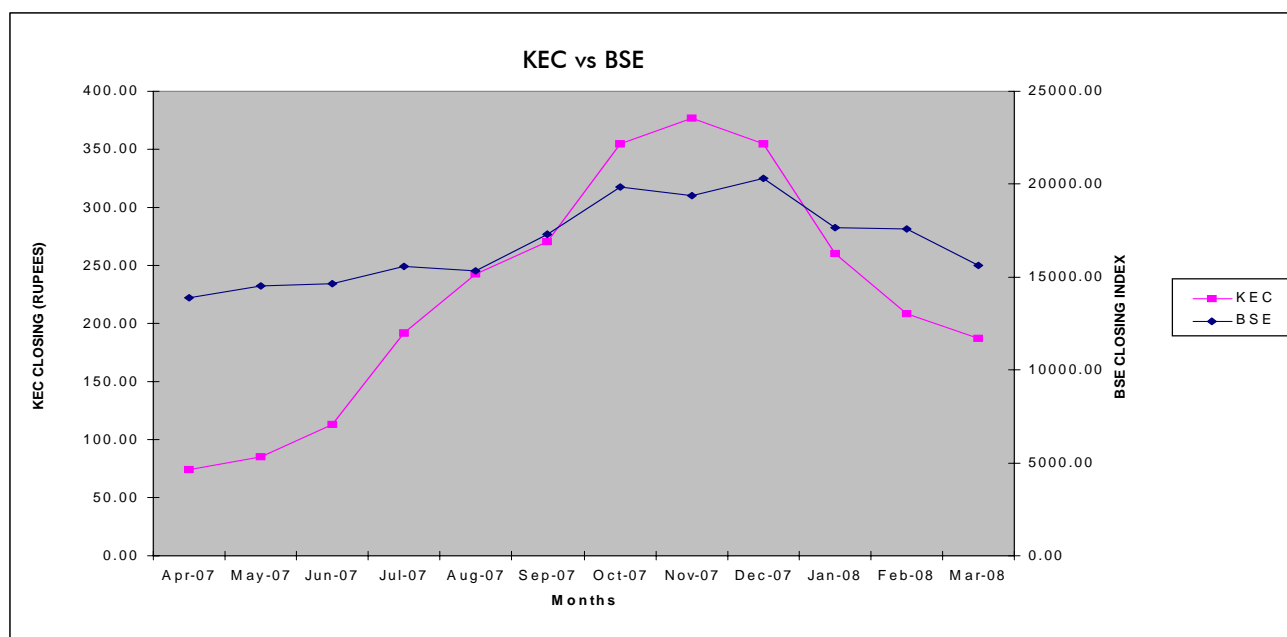
During the year under review there was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited where the shares are listed.

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

Month	Monthly High (Rs.)	Monthly Low (Rs.)	Monthly Volume (Nos.)
April, 2007	82.70	68.10	432480
May, 2007	89.75	70.85	1193926
June, 2007	122.50	79.40	3862509
July, 2007	196.00	102.50	6662736
August, 2007	254.10	173.00	5291340
September, 2007	289.00	225.00	2249984
October, 2007	367.50	258.00	1751596
November, 2007	388.00	270.00	755715
December, 2007	390.00	322.00	642884
January, 2008	366.00	225.00	788948
February, 2008	268.95	196.25	311820
March, 2008	211.50	132.15	588714

### SHARE PRICE MOVEMENTS

Share Price Movements for the period 1st April, 2007 to 31st March, 2008 of Kirloskar Electric Company Limited (KEC) vs BSE Sensex





**REGISTRAR AND SHARE TRANSFER AGENTS**

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

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

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

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

The shareholders' complaints received during the year have been resolved with due despatch and no complaints were pending as on 31.3.2008. The number of physical transfers pending as on 31.3.2008 was 23 transfer applications for 1576 shares and the number of dematerialisation requests pending was 15 for 855 shares. The transfers have been duly dealt with thereafter. The Company has rematerialised 501 shares during the year.

**DISTRIBUTION OF SHAREHOLDING AS ON 31.3.2008.**

SHAREHOLDING RANGE	No. OF SHARE HOLDERS IN DEMAT FORM	NO. OF SHARES	No. OF SHARE HOLDERS IN PHYSICAL FORM	No. OF SHARES	TOTAL SHARE HOLDERS	%	No. OF SHARES	% OF SHARE HOLDINGS
1-500	10577	1006972	25007	923985	35584	95.79	1930957	5.81
501-1000	384	301345	348	354353	732	1.97	655698	1.97
1001-2000	234	344831	176	283579	410	1.10	628410	1.89
2001-3000	79	198508	62	150565	141	0.38	349073	1.05
3001-4000	33	118447	29	99276	62	0.17	217723	0.65
4001-5000	45	210405	19	83580	64	0.17	293985	0.88
5001-10000	50	351538	23	158759	73	0.20	510297	1.53
10001 & ABOVE	75	26588712	5	2093962	80	0.22	28682674	86.22
TOTAL	11477	29120758	25669	4148059	37146	100.00	33268817	100.00

## KIRLOSKAR ELECTRIC COMPANY LTD.

### PATTERN OF EQUITY SHAREHOLDING AS ON 31.3.2008 :

Category	No. of Shares held	Percentage of Shareholding
Promoters	15520233	46.65
Banks, Financial Institutions	3772252	11.34
Foreign Investment Institutions	2166078	6.51
Private Corporate Bodies	4798682	14.42
Indian Public	5029152	15.12
NRIs/OCBs	1982420	5.96
<b>TOTAL</b>	<b>33268817</b>	<b>100.00</b>

### DEMATERIALISATION OF SHARES

The paid up equity capital of the Company as on 31.3.2008 was Rs. 33,26,88,170 (33268817 shares of Rs.10/- each). Out of the total equity paid up share capital of Rs.33,26,88,170, 29120758 equity shares representing 87.53% of the equity capital were held in dematerialised form as on 31.3.2008.

Shareholders complaints received during the period 1.4.2007 to 31.3.2008.

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters of complaints regarding Dividend (Non -receipt of Dividend Correction in Bank details etc.)	2	2	–
Letters of Non receipt of Annual Reports	8	8	–
Change of Address and Bank Details	1	1	–
Letters or Complaints regarding shares (Non-receipt of shares after transfer/ transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	28	28	–
Complaints regarding Dematerialisation/			
Re-materialisation /Rejection	49	49	–
Miscellaneous Letters or complaints received other than above categories.	42	42	–

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

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

### INSIDER TRADING

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

Mysore	Hubli	Dhulagarh	Gurgaon
Belvadi Industrial Area, Mysore Karnataka	Gokul Road, Hubli Karnataka	East Wing - 14, Jala Dhulagori Mauri Sankarail, Howrah West Bengal	42-D Type, HSIDC Sheds Sector – 37 Udyog Vihar Phase - VI Gurgaon Haryana

### ADDRESS FOR CORRESPONDENCES :

Kirloskar Electric Company Limited  
Post Box No.5555,  
Malleswaram West, Bangaore 560 055  
Telephone : 23374865, 23378735 Fax- 23377706  
Web Site Address – www.kirloskar-electric.com

### DIRECTORS' RESPONSIBILITY STATEMENT

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

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

The Company has a system of internal control which is reviewed, evaluated and updated on 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.Ramadhyan & Co., Chartered Accountants and have been reviewed by and discussed in the Audit Committee.

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

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

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### INDUSTRY

India's growth story is expected to continue this year also with GDP growth of around 9%. With continued capital investments as planned by the private sector as well as the public sector the demand for the Electrical Industry is expected to continue to remain strong in the near future and as such the high growth exhibited in the past should continue. It was feared at the beginning of the year that the demand may taper with sluggish industrial growth. But the fears seem to be misplaced and the economy continues to do well. The demand for all products of the Company continues to be good. The strong brand image of the Company's products on account of our stress on quality puts us in an advantageous position. It may be noted that the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

#### OPPORTUNITIES

The Indian Economy is expected to grow well as it has been during the last few years. The growth rate of demand for power is generally higher than the GDP growth in developing countries and India follows this pattern. The importance placed by the Government on power sector augurs well for the Industry. Your Company manufactures and deals in major products of the Electrical Industry. The user industries continue to grow well. The demand for Transforemers and Diesel Generating Sets continues to be robust and the Company is increasing its presence in both these fields.

#### THREATS

Occasional delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. The industry has become highly competitive. Though the outlook appears to be bright, the actual performance may however differ, as it is dependent on several factors beyond our control of the Company.

#### PERFORMANCE OVERVIEW

During the year the Company has achieved a turnover of (Gross) Rs. 7.65 billion as against Rs. 6.19 billion in the previous year. The profit before tax for the year is Rs.272.78 million as against a profit of Rs. 191.45 million in the previous year.



## KIRLOSKAR ELECTRIC COMPANY LTD.

### SEGMENTWISE PERFORMANCE

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

The segment wise turnover of the Company is as follows :-

(Rs.in 000's)

Products	2007-08	2006-07
Rotating Machines Group	4,470,816	3,922,892
Power Distribution	2,577,126	1,735,300
Others	601,979	528,519
Total	7,649,921	6,186,711

### FUTURE OUTLOOK

As has been mentioned earlier in the Report, there were apprehensions that the economy may slow down. But now it appears that the growth witnessed during the last few years will still continue with GDP growth of around 9%. The various industries to which the Company caters to are doing well and demand from them continues as in the past. The outlook appears to be bright at this juncture.

### RISKS & CONCERNS

The continued increase in oil prices may affect the entire economy and it will have a cascading effect on all. The rise in prices of raw materials and supply uncertainties 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

Industrial relations during the year were cordial and the Company continued to have good support of all its employees at all levels.

For and on behalf of the Board

Place : Bagalore  
Date : 27th June, 2008

**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, 2008 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 : 27.6.2008

**Vijay R. Kirloskar**  
*Chairman & Managing Director*

**Rakesh Kumar Gupta**  
VP & CFO

**AUDITORS' REPORT**

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2008, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto.

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956 ('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

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

4. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
5. In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.
6. The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by M/s Sundar & Associates, Chartered Accountants has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.
7. The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.
8. In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to note 22 of schedule O (non disclosure of prior period income/ expenditure as required by AS 5)
9. On the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
10. *Attention of the members is invited to note 23 of schedule O regarding amounts due from certain companies of Rs.23.352 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.*
11. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 20, schedule O and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject to *paragraphs 10 above and paragraph 2 of the annexure to this report* give a true and fair view in conformity with the accounting principles generally accepted in India:-
  - a. In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008
  - b. In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
  - c. In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYANI & CO.  
Chartered Accountants

**CA SHYAM RAMADHYANI**

Partner

Place : Bangalore  
Date : June 27, 2008

Membership number 200/19522



**ANNEXURE TO AUDITORS' REPORT**

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

1. a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.  
b. The management during the year has physically verified a portion of fixed assets. We have been informed by the management that reconciliation of a major portion of assets has been completed and that no material discrepancies were observed. Fixed assets lying with third parties are subject to confirmation.  
c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties and at port are subject to confirmation.*  
b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
c. The Company is maintaining proper records of inventory in terms of quantities *except in respect of inventories of certain units and work-in-progress*. The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.  
d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.
3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 19 & 23 of schedule O are advances and not in the nature of loans.
4. Having regard to the explanations given to us that some of the bought out items/assets are proprietary and/or special and/or are customised to the requirements of the Company and as such comparative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. We have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.
6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. The Company Law Board has not passed an order.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to non maintenance of inventory records by certain units*. We have not made a detailed examination to ensure their accuracy or completeness.
9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months.  
b. We have been informed by the management that the customs duty payable of Rs. 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. According to the information and explanations given to us, there are no other undisputed statutory dues as at March 31, 2008 outstanding for a period of more than six months from the date they became payable.  
c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at March 31, 2008 with the relevant authorities on account of disputes.

**KIRLOSKAR ELECTRIC COMPANY LTD.**

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	3,872,324	1985 to 2001	Sales Tax Appellate Tribunal
The Customs Act, 1962.	Customs Demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise and Salt Act, 1944	Excise Duty Demand	491,170		Commissioner (Appeals)
The Central Excise and Salt Act, 1944	Excise Duty Demand	37,456	2005 - 06	Central Excise & Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise Duty Demand	202,511	2007-08	Assistant Commissioner of Central Excise
Service Tax Act, 1961	Service Tax Demand	550,949	2003-04	Joint Commissioner of Central Excise (Service Tax)

10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks from which it has taken loans, except for delays in making certain payments.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the Company has not given any guarantees during the year for loans taken by others from banks and financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.
16. In our opinion, the Company has used the terms loans for the purpose for which it has been taken.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short- term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has made a preferential allotment of shares to parties covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interests of the Company since such issue is pursuant to order dated June 29, 2007 of the honourable high court of Karnataka read with the scheme of arrangement under sections 391 to 394 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has issued debentures to the Industrial Development Bank of India to an extent of Rs.49.4 million in terms of the scheme of arrangement approved by the honourable High Court of Karnataka under sections 391 to 394 of the Companies Act, 1956. The Company has created securities in respect of the said debentures.
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

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

For B.K.RAMADHYANI & CO.  
Chartered Accountants

Bangalore  
Date : June 27, 2008

**CA SHYAM RAMADHYANI**  
Partner  
Membership number 200/19522

# SIXTYFIRST ANNUAL REPORT 2007 - 08

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs. in 000's)

	Schedule	As at 31 <sup>st</sup> March, 2008 Rs.	As at 31 <sup>st</sup> March, 2007 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital	A	452,688	432,688
b) Share application money pending allotment			60,000
c) Reserves & Surplus	B	799,818	675,541
		<b>1,252,506</b>	1,168,229
<b>LOAN FUNDS</b>			
a) Secured Loans	C	332,393	244,294
b) Unsecured Loans	D	108,759	72,049
		<b>441,152</b>	316,343
<b>TOTAL</b>		<b>1,693,658</b>	1,484,572
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	E	386,603	364,906
b) Less : Depreciation		253,432	249,055
c) Net Block		<b>133,171</b>	115,851
d) Capital Work in progress	F	30,745	10,327
		<b>163,916</b>	126,178
<b>INVESTMENTS</b>	G	584,752	584,752
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Inventories	H	455,864	229,727
b) Sundry Debtors		1,598,625	1,353,438
c) Cash & Bank Balances		524,749	413,668
d) Loans & Advances		580,537	387,329
		<b>3,159,775</b>	2,384,162
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>	I		
a) Current Liabilities		2,131,454	1,735,812
b) Provisions		83,331	43,903
		<b>2,214,785</b>	1,779,715
<b>NET CURRENT ASSETS</b>		<b>944,990</b>	604,447
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>			
<b>PROFIT &amp; LOSS ACCOUNT</b>	J	-	19,751
<b>TOTAL</b>		<b>1,693,658</b>	1,484,572
<b>NOTES ON ACCOUNTS</b>			
<b>BALANCE SHEET ABSTRACT &amp; COMPANY'S GENERAL BUSINESS PROFILE</b>	P	-	-

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

As per our report of even date

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

**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. MALIK**  
Joint Managing Director

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

Place : Bangalore  
Date : June 27, 2008



# KIRLOSKAR ELECTRIC COMPANY LTD.

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

(Rs. in 000's)

	Schedule	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales		7,649,921	6,186,711
Less: excise duty		372,153	272,754
Other Income	K	57,415	24,277
Profit on sale of fixed assets (net)		2,216	615
<b>TOTAL</b>		<b>7,337,399</b>	<b>5,938,849</b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	L	6,605,763	5,309,337
Operating and Other Expenses	M	372,796	288,900
Interest and Finance Charges			
On Fixed Loans		23,240	22,333
On Other Accounts		15,116	11,567
		38,356	33,900
Depreciation, Amortisations and Provisions	N	47,984	123,302
		7,064,899	5,755,439
Less: Expenses Capitalised		281	230
<b>TOTAL</b>		<b>7,064,618</b>	<b>5,755,209</b>
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>272,781</b>	<b>183,640</b>
Add: Extraordinary income - remission of liability		-	7,806
<b>PROFIT BEFORE TAXEXPENSE</b>		<b>272,781</b>	<b>191,446</b>
Less : Provision for current tax (net)		31,040	10,000
Provision for Fringe Benefit Tax		5,000	6,500
<b>PROFIT ATER TAX EXPENSE</b>		<b>236,741</b>	<b>174,946</b>
Less : Loss brought forward from Previous Year		149,444	324,390
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)		3,020	-
		152,464	324,390
<b>BALANCE OF PROFIT/(LOSS) CARRIED TO BALANCE SHEET</b>		<b>84,277</b>	<b>(149,444)</b>
<b>EARNING PER SHARE (FACE VALUE RS 10 PER SHARE)</b>			
<b>Before considering extraordinary items</b>			
Basic		6.92	5.03
Diluted		6.92	4.73
<b>After considering extraordinary items</b>			
Basic		6.92	5.28
Diluted		6.92	4.96

### NOTES ON ACCOUNTS

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### BALANCE SHEET ABSTRACT &

### COMPANY'S GENERAL BUSINESS PROFILE

P

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

As per our report of even date

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

Chartered Accountants

**CA SHYAM RAMADHYANI**

Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**

Chairman & Managing Director

**P. Y. MAHAJAN**

Associate Vice President &  
Company Secretary

**P. S. MALIK**

Joint Managing Director

**CA R. K. GUPTA**

Vice President & Chief Financial Officer

Place : Bangalore

Date : June 27, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008**

(Rs. in 000's)

	Schedule	Current Year Rs.	Previous Year Rs.
<b>A. CASH FLOW FROM OPERATION ACTIVITIES</b>			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		<b>272,781</b>	183,640
DEPRECIATION (INCLUDING GOODWILL)	<b>9,021</b>		9,159
PROVISION FOR INVESTMENTS	–		15,316
AMORTISATION & PROVISIONS	<b>24,673</b>		28,241
PROVISION FOR LEAVE ENCASHMENT PERTAINING TO PREVIOUS YEAR	<b>(3,020)</b>		43,000
PROFIT FROM SALE OFFIXED ASSETS (NET)	<b>(2,216)</b>		(615)
EXTRAORDINARY INCOME	–		7,806
INTEREST AND DIVIDEND (NET)	<b>19,455</b>		22,807
		<b>47,913</b>	125,714
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>320,694</b>	309,354
ADJUSTMENT FOR			
TRADE & OTHER RECEIVABLES	<b>(390,331)</b>		(377,978)
INVENTORIES	<b>(226,137)</b>		(11,766)
TRADE & OTHER PAYABLES	<b>395,642</b>		208,509
		<b>(220,826)</b>	(181,235)
		<b>99,868</b>	128,119
<b>CASH GENERATED FROM OPERATIONS</b>			
INTERST PAID	<b>(38,356)</b>		(33,900)
DIRECT TAXES PAID	<b>(49,598)</b>		(8,401)
		<b>(87,954)</b>	(42,301)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>11,914</b>	85,818
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
PURCHASE OF FIXED ASSETS	<b>(47,305)</b>		(6,481)
SALE OF FIXED ASSETS	<b>2,762</b>		1,035
INTEREST RECEIVED	<b>16,748</b>		11,093
DIVIDEND RECEIVED	<b>2,153</b>		–
NET CASH USED IN INVESTING ACTIVITIES		<b>(25,642)</b>	5,647
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
PROCEEDS FROM TERM BORROWING	<b>204,048</b>		172,276
REPAYMENT OF TERM BORROWINGS	<b>(115,949)</b>		(50,192)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	<b>36,710</b>		685
PROCEEDS FROM ISSUE OF SHARE CAPITAL	–		60,000
DIVIDEND PAID	–		–
NET CASH USED IN FINANCING ACTIVITIES		<b>124,809</b>	182,769
<b>D. NET INCREASE IN CASH</b>		<b>111,081</b>	274,234
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<b>413,668</b>		139,434
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<b>524,749</b>		413,668
		<b>111,081</b>	274,234

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

As per our report of even date

**For B. K. RAMADHYANI & CO.**  
Chartered Accountants**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary**P. S. MALIK**  
Joint Managing Director**CA R. K. GUPTA**  
Vice President & Chief Financial Officer

Place : Bangalore

Date : June 27, 2008

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs in 000's)

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
<b>SCHEDULE "A"</b>		
<b>AUTHORISED</b>		
3,000,000 (3,000,000) Preference Shares of Rs. 100/- each	<b>300,000</b>	300,000
60,000,000 (40,000,000) Equity Shares of Rs. 10/- each	<b>600,000</b>	400,000
<b>TOTAL</b>	<b><u>900,000</u></b>	<u>700,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP :</b>		
1,200,000 (1,200,000) Preference Shares of Rs. 100/- each	<b>120,000</b>	120,000
33,268,817 (31,268,817) Equity Shares of Rs. 10/- each	<b>332,688</b>	312,688
<b>TOTAL</b>	<b><u>452,688</u></b>	<u>432,688</u>

### NOTES :

- 1) Equity Shares include:
  - a) 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
  - b) 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
  - c) 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
  - d) 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each have been allotted during the year to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.
- 2) The preference shares shall be redeemed in 3 annual installments on 30.09.2008, 30.09.2009 and 30.09.2010 respectively
- 3) The preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows.

## SCHEDULE "B"

(Rs in 000's)

### RESERVES AND SURPLUS

Capital Reserve		
As per last Balance Sheet	<b>1,806</b>	1,806
Revaluation Reserve		
As per last Balance Sheet	<b>48,041</b>	48,041
Capital Redemption Reserve		
As per last Balance Sheet	<b>2,500</b>	2,500
Share Premium Account		
As per last Balance Sheet	<b>614,194</b>	614,194
Add: Received during the year	<b>40,000</b>	—
	<b><u>654,194</u></b>	<u>614,194</u>
Profit & Loss account	<b>84,277</b>	—
Reserve for Doubtful Debts		
As per last Balance Sheet	<b>9,000</b>	9,000
<b>TOTAL</b>	<b><u>799,818</u></b>	<u>675,541</u>

## SCHEDULE "C"

### SECURED LOANS

a) From Banks	<b>273,357</b>	184,620
b) Finance Lease obligations	<b>9,636</b>	—
c) From a Company	—	10,274
d) Zero coupon debentures	<b>49,400</b>	49,400
<b>TOTAL</b>	<b><u>332,393</u></b>	<u>244,294</u>

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008**

(Rs in 000's)

	<b>As at 31st March, 2008 Rs.</b>	<b>As at 31st March, 2007 Rs.</b>
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS</b>		
a) Fixed Deposit Unclaimed	<b>1,151</b>	1,208
b) Interest accrued and due - FDs	<b>41</b>	121
c) SICOM Sales Tax loan	<b>1,119</b>	1,119
d) From companies	<b>106,448</b>	69,601
<b>TOTAL</b>	<b>108,759</b>	72,049

NOTE : Fixed Deposits include unclaimed deposits of Rs.0.367 million (Previous year Rs. 0.478 million)

Amount falling due for payment within one year is Rs.108.53 million (Previous year Rs.51.848 million).

**SCHEDULE "E"****FIXED ASSETS**

(Rs in 000's)

<b>Particulars</b>	<b>GROSS BLOCK (AT COST)</b>				<b>DEPRECIATION</b>				<b>NET BLOCK</b>	
	<b>As at 1st April 2007</b>	<b>Additions Transfers</b>	<b>Deductions Transfers</b>	<b>As at 31st March 2008</b>	<b>As at 1st April 2007</b>	<b>For the Year</b>	<b>Withdrawals during the Year</b>	<b>As at 31st March 2008</b>	<b>As at 31st March 2008</b>	<b>As at 31st March 2007</b>
<b>Tangible Assets</b>										
Own assets										
Land (*)	53,150	-	-	<b>53,150</b>	-	-	-	-	53,150	53,150
Buildings (#)	53,029	-	-	<b>53,029</b>	33,911	836	-	<b>34,747</b>	18,282	19,118
Plant & Machinery (including technical know-how)	155,121	5,705	4,957	<b>155,869</b>	122,952	5,182	4,414	<b>123,720</b>	32,149	32,169
Furniture & Equipment	46,527	4,528	170	<b>50,885</b>	38,890	1,315	168	<b>40,037</b>	10,848	7,637
Vehicles and Aircraft	14,733	5,130	63	<b>19,800</b>	10,956	838	62	<b>11,732</b>	8,068	3,777
Assets on finance lease										
Plant & Machinery	-	7,857	-	<b>7,857</b>	-	524	-	<b>524</b>	7,333	-
<b>Intangible Assets</b>										
Goodwill	42,346	-	-	<b>42,346</b>	42,346	-	-	<b>42,346</b>	-	-
Software	-	3,667	-	<b>3,667</b>	-	326	-	<b>326</b>	3,341	-
<b>TOTAL</b>	<b>364,906</b>	<b>26,887</b>	<b>5,190</b>	<b>386,603</b>	<b>249,055</b>	<b>9,021</b>	<b>4,644</b>	<b>253,432</b>	<b>133,171</b>	115,851
Previous Year	380,565	6,481	22,140	364,906	261,616	9,159	21,720	249,055	-	-

(#) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed.

(\*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

**SCHEDULE "F"****CAPITAL WORK IN PROGRESS**

1. Plant & Machinery taken on finance lease	<b>2,090</b>	-
2. Plant & Machinery	<b>59,861</b>	56,383
3. Buildings	<b>14,150</b>	-
	<b>76,101</b>	56,383
Less: Provision for uninstalled machinery	<b>45,356</b>	46,056
<b>TOTAL</b>	<b>30,745</b>	10,327



# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs in 000's)

	Nos.	Face Value	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
<b>SCHEDULE "G"</b>				
INVESTMENTS (AT COST)				
{LONG TERM}				
A. TRADE :				
(a) QUOTED:				
(i) Equity Shares				
ICICI Bank Ltd.,(on merger of Sangli Bank Limited)	1,081	10	100	—
Kirloskar Computer Services Ltd.,	200,000	10	2,380	2,380
The Mysore Kirloskar Ltd.,	770,750	10	21,260	21,260
(ii) Debentures - Fully Paid-up				
The Mysore Kirloskar Ltd., @	30,000	44	1,320	1,320
(b) UNQUOTED :				
Equity Shares - Fully Paid-up				
(i) In Subsidiary Company :				
Kaytee Switchgear Ltd	20,619,512	10	579,200	579,200
KEC North America Inc	210	-	12,936	12,936
(ii) In Other Companies :				
Best Trading & Agencies Ltd.,	584	10	6	6
Kirloskar Proprietary Ltd., (aquired 25 shares on rights issue)	26	100	128	128
Kirloskar (Malaysia) Sdn. Bhd, Kuala Lumpur, Malaysia	150,000	MR 1	529	529
Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K Sh 1000	852	852
Kirsons Trading Pte. Ltd	56,250	S \$ 1	1,120	1,120
Kirloskar Power Equipments Ltd.,	340,000	10	2,817	2,817
Sangli Bank Limited	10,000	10	—	100
KEASI Robicon Industrial Systems Private Limited (Formerly Kirloskar Ansaldo Industrial Systems Pvt Ltd)	500,000	10	5,000	5,000
			627,648	627,648
Less: Provision for diminution in value of Investments			42,896	42,896
<b>TOTAL</b>			<b>584,752</b>	<b>584,752</b>

@ Matured and due for payment.

\$ 15,619,512 shares acquired pursuant to the order of the Honourable High Court of Karnataka on the Company's petition under Sections 391-394 of the Companies Act,1956

### NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	25,060	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	602,588	602,688

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008**

(Rs in 000's)

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
<b>SCHEDULE "H"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>1. Inventories - as certified by the Managing Director</b>		
i. Raw Materials, stores, spares parts, components etc.,	51,583	51,020
ii. Stock in trade		
Finished goods (including trading stocks)	163,272	85,156
Process stock	233,841	104,718
iii. Others-Including material at port and scrap	19,572	19,541
	<b>468,268</b>	260,435
Less: Provision for non-moving stocks	12,404	30,708
	<b>455,864</b>	229,727
<b>2. Sundry Debtors</b>		
(Unsecured, considered good except doubtful debts of Rs.55.430 million, previous year Rs.46.946 million)		
i. Debts outstanding for a period exceeding six months	395,973	331,431
ii. Other debts	1,258,082	1,068,953
	<b>1,654,055</b>	1,400,384
Less : Provision for doubtful debts	55,430	46,946
	<b>1,598,625</b>	1,353,438
<b>3. Cash and Bank Balances</b>		
a. Cash on hand	258	5
b. Amount in transit	10,841	8,505
c. Balances with scheduled banks		
– On current account	259,112	130,179
– On short term deposit accounts	254,538	274,979
	<b>524,749</b>	413,668
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good except doubtful advances of Rs. 33.668 million, previous year Rs.33.668 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	498,507	383,488
Less : Provision for doubtful advances	33,668	33,668
	<b>464,839</b>	349,820
Central excise deposits	51,895	21,770
Advance payment of tax (including FBT)	63,803	15,739
	<b>580,537</b>	387,329
<b>TOTAL</b>	<b>3,159,775</b>	2,384,162

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2008

(Rs in 000's)

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
<b>SCHEDULE "I"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors	869,210	547,539
Acceptances	12,303	–
Trade Advances	26,671	27,738
Other liabilities (@)	364,194	436,176
Due to subsidiary company	859,076	724,359
	<b>2,131,454</b>	<b>1,735,812</b>
<b>B. Provisions</b>		
For Taxation (including FBT)	61,078	26,572
For Earned Leave	7,140	4,445
For Gratuity	743	2,469
For Warranty claim	14,370	10,417
	<b>83,331</b>	<b>43,903</b>
<b>TOTAL</b>	<b>2,214,785</b>	<b>1,779,715</b>

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

## SCHEDULE "J"

### MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF

1 Deferred Revenue Expenditure		
Voluntary Retirement Scheme	–	19,751
<b>TOTAL</b>	<b>–</b>	<b>19,751</b>

**SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008**

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "K"</b>		
<b>OTHER INCOME</b>		
Interest :		
On Fixed Deposits	16,286	9,367
Others	462	1,727
(Tax deducted at source Rs.2.94 million, previous year Rs.0.20 million)	16,748	11,094
Dividend from long term		
Investments : Trade	2,153	
Rent received	5,926	5,335
(Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)		
Miscellaneous*	32,588	7,848
<b>TOTAL</b>	<b>57,415</b>	<b>24,277</b>

\* Includes provision no longer required Rs.29.06 million (Rs.2.239 million)

**SCHEDULE "L"****CONSUMPTION OF RAW MATERIALS, STORES, SPARE  
PARTS & COMPONENTS AND PURCHASES FOR TRADING**

Raw material, stores and Components	2,423,116	1,565,045	
Purchases for Trading	4,389,886	3,758,968	
	6,813,002		5,324,013
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	233,841	104,718	
Trading and finished goods	163,272	85,156	
	397,113	189,874	
Less : Stocks at commencement			
Process stocks	104,718	57,091	
Trading and finished goods	85,156	118,107	
	189,874	175,198	
	(207,239)		(14,676)
Inventories written off	18,304	—	
Less: Provision withdrawn	18,304	—	
<b>TOTAL</b>	<b>6,605,763</b>		<b>5,309,337</b>



# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008 (Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "M"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	13,289	10,773
Expenses relating to Employees :		
Salaries, Wages & Bonus	127,148	96,858
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	9,919	7,943
Gratuity as per actuarial valuation	1,030	2,469
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	16,750	8,511
	154,847	115,781
Rent	8,671	4,547
Repairs		
Buildings	6,827	6,311
Machinery	1,145	2,368
Others	8,724	9,780
	16,696	18,459
Selling Expenses	25,647	26,586
Commission	5,734	4,982
Cash Discount	460	24
Additional Sales Tax	993	987
Maintenance of Vehicles	1,575	999
Insurance	1,258	1,668
Rates and Taxes	12,123	2,454
Advertisement	8,706	3,409
Printing & Stationery	7,182	5,886
Travelling Expenses	51,124	35,281
Postage, Telegrams and Telephones	11,808	9,762
Auditors Remuneration	1,909	1,701
Tech. Consultancy & Professional Charges	22,970	17,316
Bank Charges (Net off exchange fluctuation difference of . Rs.1.93 million Cr previous year Rs.2.992 million Dr.)	16,891	16,287
Subscription to technical associations, Journals and Magazines	782	1,112
Manufacturing expenses and sundries	3,092	3,677
Bad debts & disallowance written off	8,535	1,120
Less : Provision for doubtful debts withdrawn	6,516	—
	2,019	1,120
Directors' sitting fees	276	200
Remuneration to whole-time directors	4,744	5,889
Uninstalled machinery written off	700	—
Less : Provision for uninstalled machinery withdrawn	700	—
	—	—
	<b>372,796</b>	<b>288,900</b>
<b>SCHEDULE "N"</b>		
<b>DEPRECIATION, AMORTISATION AND PROVISIONS</b>		
1. Depreciation	9,021	9,159
2. Amortisation of Voluntary Retirement Scheme	19,751	24,072
3. Doubtful debts	15,000	10,000
4. Doubtful advances	—	18,700
5. Diminution in value of uninstalled machinery	—	43,000
6. Diminution in value of investment	—	15,316
7. Warranty claim	4,212	3,055
	<b>47,984</b>	<b>123,302</b>

## SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE "O"

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

#### 1. SIGNIFICANT ACCOUNTING POLICIES

- 1.1 ACCRUAL SYSTEM OF ACCOUNTING:  
The Company follows the accrual system of accounting in respect of all items of expenditure and income.
- 1.2 FIXED ASSETS:  
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.
- 1.3 INVESTMENTS:  
Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.
- 1.4 INVENTORIES: Raw materials, stores, spare parts and components are valued on first in first out basis at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost or net realizable value whichever is lower. Finished goods are valued at works cost or net realizable value whichever is lower.
- 1.5 DEPRECIATION:
  - a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
  - b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.
  - c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
  - d) Depreciation on assets taken on finance lease is charged over the primary lease period.
  - e) Depreciation on software is provided at 33.33% per annum.
  - f) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold.
- 1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:
  - a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortized over a period of 4 / 5 years.
  - b) Liability in respect of other voluntary retirement schemes providing for payment of benefits in installments over specified periods is amortized over 5 years.
- 1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:  
Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.
- 1.8 REVENUE RECOGNITION:  
Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.
- 1.9 EMPLOYEE BENEFITS:
  - (i) Short Term Employee Benefits:  
Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.
  - (ii) Post Employment Benefits:
    - a) Defined Contribution Plans:  
The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognised during the year in which employee renders the related service.
    - 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.
- 1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:  
The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.
- 1.11 TAXES ON INCOME:  
Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.
- 1.12 BORROWING COSTS:  
Interest and other borrowing costs on specific borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Profit & Loss Account.
- 1.13 CONTINGENT LIABILITIES:  
Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.
- 1.14 USE OF ESTIMATES:  
The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

### SCHEDULE "O" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,) (Rs in 000's)

	As at 31.03.2008	As at 31.03.2007
<b>2 (A) CONTINGENT LIABILITIES ETC.</b>		
i) Letter of Credit, Guarantees / Counter guarantees given on Import and Sale contracts etc.	<b>354,346</b>	179,351
ii) Bills discounted with bank	<b>174,558</b>	–
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	<b>6,436</b>	14,911
iv) Sales tax demanded under appeal in branches of the Company	<b>8,309</b>	8,309
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	<b>221,287</b>	216,339
vi) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Private Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs.20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.	<b>Not Ascertainable</b>	Not Ascertainable
vii) Sales tax liability in respect of pending assessments	<b>132,911</b>	132,911
viii) Income tax demand under appeal, either by the company or revenue department.	<b>Not Ascertainable</b>	Not Ascertainable
ix) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	<b>Not Ascertainable</b>	Not Ascertainable
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	<b>Not Ascertainable</b>	Not Ascertainable
xi) Arrears of dividend on cumulative preference shares (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1, 2001 to September 30, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26, 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1, 2001 to September 30, 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1, 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17, 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.  In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	<b>71,659</b>	61,832
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for.	<b>44,500</b>	Nil

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT** (Contd.,)**SCHEDULE "O"** (Contd.,)**Notes attached to and forming part of the Balance Sheet and Profit and Loss Account** (Contd.,) (Rs in 000's)

	<b>As at 31.03.2008</b>	<b>As at 31.03.2007</b>
<b>3. SECURED LOANS:</b>		
<b>A Loans and Advances from banks :</b>		
i) From Bank of Commerce (M) Bhd, Selangor, Malaysia - Secured by a floating charge in respect of property situated, kept, placed or stored at any place in Malaysia, both present and future, including all stocks in trade, goodwill and book debts to an extent of RM 550,000.	<b>Nil</b>	29 RM 2
ii) a) Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	<b>20,670</b>	37,298
b) Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	<b>240,347</b>	84,958
c) Against pledge of fixed deposits	<b>11,454</b>	62,364
d) Against security of Motor Cars	<b>886</b>	–
iii) Term loan from a Company – First pari passu charge on residential property at Nandidurg Road, Bangalore.	–	10,274
<b>B) Loans and Advances from Financial Institutions :</b>		
Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) above.	<b>49,400</b>	49,400
<b>4. BALANCES WITH FOREIGN BANKS :</b>		
i) With Bank of Commerce (M) Bhd., Kuala Lumpur : On Short term deposits	<b>5,607 RM 541</b>	9,412 RM 840
Maximum Balance at any time during the year	<b>9,412 RM 840</b>	10,903 RM 946
ii) With Bank of Commerce (M) Bhd., Kuala Lumpur: On Current Accounts	<b>2,041 RM 197</b>	Nil
Maximum Balance at any time during the year	<b>2,041 RM 197</b>	Nil
iii) With HSBC Bank, Dubai on current account	<b>42 AED 4</b>	109 AED 9
Maximum balance at any time during the year	<b>109 AED 9</b>	415 AED 34
iv) With HSBC Bank, Dubai On Current Account	<b>488 \$ 12</b>	11,598 \$ 271
Maximum balance at any time during the year	<b>11,598 \$ 271</b>	11,598 \$ 271



# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

### SCHEDULE "O" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,) (Rs in 000's)

	Current Year	Previous Year
<b>5. NON RESIDENT SHAREHOLDING</b>		
Number of non-resident shareholders	364	362
Number of Equity Shareholdings	4,148,498	4,674,574
<b>6. EARNING IN FOREIGN EXCHANGE</b>		
i) F.O.B. value of exports (Net) (inclusive of sales within India eligible for export incentives)	352,878	176,243
ii) Remittances from overseas offices (Net)	15,797	9,480
iii) Dividends received	102	Nil
<b>7. VALUE OF IMPORTS CALCULATED ON CIF BASIS:</b>		
i) Raw materials	209	749
ii) Components and spare parts	46,210	41,894
iii) Capital items	1,540	1,821
<b>8. EXPENDITURE IN FOREIGN CURRENCY DURING THE FINANCIAL YEAR</b>	11,411	11,011
<b>9. REMUNERATION TO AUDITORS:</b>		
a) IN INDIA		
i) for Audit	500	500
ii) for Taxation matters / tax audit	650	450
iii) for Certification work etc.	475	475
iv) for Management Services / service tax	275	261
b) IN MALAYSIA		
i) for Audit	6	10
ii) for Taxation matters	3	5
Total	1,909	1,701
Excludes out of pocket expenses of Rs.0.165 million (Previous year Rs. 0.125 million)		
<b>10. EXPENDITURE ON RESEARCH AND DEVELOPMENT DURING THE YEAR:</b>		
Revenue	2,119	2
<b>11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption:</b>		
	% Rs. (000's)	% Rs. (000's)
Value of imported raw materials, stores, spare parts & components consumed	2.33 56,320	2.63 41,207
Value of indigenous raw materials, stores, spare parts & components consumed	97.67 2,364,789	97.37 1,523,838
	100.00 2,421,109	100 1,565,045

### 12. Consumption of major raw materials and components during the year:

	Unit	Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc)	MT	978.94	397,772	1139	240,025
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	1,761.98	436,601	915	259,141
3. Others		(*)	1,586,736	(*)	1,065,879
TOTAL			2,421,109		1,565,045

#### Notes:

- In the presentation of data, necessary adjustments have been made for normal shortages and excesses in stock including process losses during conversion of raw material.
- (\*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.
- Above data is as certified by the management

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

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

**13. CAPACITIES AND PRODUCTION:**

Item No.	Class of Goods		Capacities		
			Licensed	Installed @	Production
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	<b>10.392</b> (8)
2.	Transformers	Kva	Not Applicable	Not Ascertained	<b>2,749,000</b> (1,777,101)
3.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	<b>Nil</b>
4.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	<b>1,890</b> (851)
5.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	<b>Nil</b>
6.	Vertical Mechanical Comparator, Sigmasize Electronic Gauging Indicator, Sigmaflash electronic column guage, Sigmaster fixturing systems.	Nos.	1,400	200	<b>Nil</b>
7.	Micro and Mini Computers	Rs. In million	100*	80	<b>Nil</b>
8.	Industrial Electronic Voltage Regulators	Nos.	20,000	8, 000	<b>1,910</b> (5,341)
9.	Uninterruptible Power Systems	Nos.	5,000*	500	<b>512</b> (732)
10.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	<b>Nil</b> (Nil)
11.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	<b>18</b> (79)
12.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	<b>Nil</b>
13.	Alternators	Nos.	191,500	78,000	<b>Nil</b>
14.	D.G. Sets	Nos.			<b>750</b> (64)
15.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		<b>831</b> (859)

## NOTES:

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

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

### SCHEDULE "O" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

#### 14. OPENING AND CLOSING STOCKS OF FINISHED & TRADING GOODS:

Item No.	Class of Goods	Opening Stocks		Closing Stocks	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	389 (244)	19,372 (77,909)	374 (389)	86,215 (19,372)
2.	Transformers	12 (-)	35,779 (-)	19 (12)	52,372 (35,779)
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	18 (38)	1,562 (1,720)	35 (18)	3,554 (1,562)
4.	Uninterruptible Power Systems	69 (57)	1,251 (1,362)	34 (69)	530 (1,251)
5.	Switchgears	2 (-)	2,656 (-)	17 (2)	4,073 (2,656)
6.	D G Sets	1 (24)	582 (862)	4 (1)	1,252 (582)
7.	Others		23,954 (36,254)		15,276 (23,954)
	TOTAL		85,156 (118,107)		163,272 (85,156)

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

Item No.	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	117,147	4,269,684	114,093	3,979,675
2.	Transformers	824	1,654,013	588	1,225,414
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	1,873	162,217	871	186,722
4.	Uninterruptible Power Systems	547	44,887	720	40,946
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	18	11,502	79	2,558
7.	Industrial Electronic Voltage Regulators	1,910	Nil	5,341	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	816	455,858	857	444,463
9.	D G Sets	747	501,428	87	108,913
10.	Raw Materials		151,364		Nil
11.	Others		398,969		198,020
	TOTAL		7,649,921		6,186,711

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT** (Contd.,)**SCHEDULE "O"** (Contd.,)**Notes attached to and forming part of the Balance Sheet and Profit and Loss Account** (Contd.,)**15. b) Details of Purchases of Trading goods during the year:**

Item No.	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
a)	Motors/ Alternators	116,664	4,105,370	113,873	3,615,977
b)	Others		284,516		142,991
	<b>TOTAL</b>		<b>4,389,886</b>		<b>3,758,968</b>

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

- 16.** Motors, alternators and components thereof manufactured by Kaytee Switchgear Limited (KSL) are purchased by / manufactured for the Company under contract manufacturing/ subcontracting arrangements entered into. The arrangement entered into envisages a sale price for KSL based on the ultimate sales value of the Company for sale of motors and alternators from its customers minus a mark down to take care of estimated branch and distribution network costs. The Company also has back to back claims against KSL for all shortfalls in realization from its customers (liquidated damages, freight, disallowances, warranty claims, other losses etc.). In respect of purchase of spare parts and parts of diesel generators, a mutually agreed price is charged by KSL to Company.
- 17.** The Company has filed before the honorable high court of Karnataka a scheme of amalgamation of KSL with it as well as the demerger of the operating business of Kirloskar Power Equipments Limited with it. In terms of the said scheme, the appointed date is 1<sup>st</sup> April 2007. The share holders and the creditors of the Company have approved the said scheme in meetings held in terms of the directions of the honorable court. In terms of the said scheme, all the profits and losses of KSL and Kirloskar Power Equipments Limited from the appointed date till the date the requisite approvals are received and the scheme takes effect will be to the account of the Company. The Company is liable to pay rent to Kirloskar Power Equipments Limited for the property taken on lease. Shares are to be issued to the shareholders of the said companies in terms of the said scheme. Pending receipt of necessary approvals, no effect has been given to the said scheme in the financial statements for the year 2007-2008 and no provision has been made for the said rent payable.
- 18.** The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
- 19.** Current assets, loans and advances include Rs. Nil million (Rs.29.895 million) due from a private limited company in which a director is interested.
- 20.** The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever the confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.191.882 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
- 21.** Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, subsidiary, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
- 22.** Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
- 23.** a) The Company holds unquoted investments with book value of Rs.1.972 million in M/s.Kirsons Trading Pte. Ltd and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs.23.352 million due from these and certain other companies.
- b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in the value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.
- 24.** Loans & Advances include Rs.300.95 million (Rs.136.74 million) due from KSL



**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT** (Contd.,)

**SCHEDULE "O"** (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

**25. REMUNERATION TO MANAGING DIRECTOR & OTHER WHOLE TIME DIRECTORS:**

Particulars	Current Year	Previous year
a) Managing Director		
Salary	<b>3,837</b>	3,835
Contribution to Provident & Other Funds	<b>907</b>	922
<b>TOTAL</b>	<b>4,744</b>	4,757
b) Other Whole - time Directors		
Salary	<b>Nil</b>	999
Contribution to Provident & Other Funds	<b>Nil</b>	133
<b>TOTAL</b>	<b>Nil</b>	1,132
<b>GRAND TOTAL</b>	<b>4,744</b>	5,889

**Liability in respect of accrued gratuity is not ascertainable separately.**

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

**26. DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":**

**Defined Contribution Plan:**

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

	Current Year (Rs. 000's)
Employer's Contribution to Provident Fund & Pension Scheme	5,751
Employer's Contribution to Superannuation Fund	4,168

**Defined Benefit Plan:**

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

(Rs. in 000's)

	Gratuity (Funded)	Leave (Unfunded)
<b>1. Reconciliation of opening and closing balances of Defined Benefit obligation:</b>		
Defined Benefit obligation at beginning of the year	24,830	5,846
Current Service Cost	1,506	1,136
Interest Cost	1,986	452
Actuarial (gain)/ loss	(435)	295
Benefits Paid	1,202	(589)
Defined Benefit obligation at end of the year	26,685	7,140
<b>2. Reconciliation of opening and closing balance of fair value of plan assets:</b>		
Fair value of plan assets at beginning of the year	20,743	
Expected return on plan assets	2,027	
Employer Contribution	4,374	
Benefits paid	1,202	
Fair value of plan assets at year end	25,942	
<b>3. Reconciliation of fair value of assets and obligations:</b>		
Fair value of plan assets	25,942	–
Present value of obligation	26,685	7,140
Amount recognised in Balance Sheet	743	7,140
<b>4. Expense recognised during the year:</b>		
(under "Schedule – M" Operating & Other expenses of the Profit and Loss account)		
Current Service Cost	1,506	1,136
Interest Cost	1,986	452
Expected return on plan assets	2,027	–
Actuarial (gain)/ loss	(435)	295
Net Cost	1,030	1,883

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT** (Contd.,)**SCHEDULE "O"** (Contd.,)**Notes attached to and forming part of the Balance Sheet and Profit and Loss Account** (Contd.,)

<b>5. Actuarial assumptions:</b>		
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. Previous year figures have not been furnished since AS 15 (Revised) has been implemented for the first time.

**27. SEGMENT REPORTING:**

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

Rs. in 000's

Sl. No.	PARTICULARS	PRIMARY SEGMENT			TOTAL
		Power Distribution	Rotating Machines Group	Others	
1.	<b>Segment Revenues</b>				
	SALES	<b>2,577,126</b> (1,735,300)	<b>4,470,816</b> (3,922,892)	<b>60,1979</b> (528,519)	<b>7,649,921</b> (6,186,711)
2.	<b>Segment Results:</b>				
	Profit Before Taxation and Interest	<b>260,356</b> (254,586)	<b>68,603</b> (52,362)	<b>186,311</b> (180,843)	<b>515,270</b> (487,789)
	Less: Interest				<b>38,356</b> (33,900)
	Less: Depreciation & Amortizations				<b>32,984</b> (123,302)
3.	Unallocable Expenditure				<b>222,156</b> (161,921)
4.	Unallocable & Other Income (including Extraordinary items)				<b>51,007</b> (22,779)
	Less: Tax (including FBT)				<b>36,040</b> (16,500)
	<b>Total Profit</b>				<b>236,741</b> (174,946)
6.	<b>Segment Assets</b>	<b>931,597</b> (543,689)	<b>878,667</b> (858,075)	<b>303,282</b> (248,867)	<b>2,113,546</b> (1,650,631)
7.	<b>Unallocable Assets</b>				<b>1,794,897</b> (1,489,697)
8.	<b>Segment Liabilities</b>	<b>622,484</b> (344,459)	<b>108,475</b> (123,462)	<b>153,783</b> (110,595)	<b>884,742</b> (578,516)
9.	<b>Unallocable Liabilities</b>				<b>1,771,195</b> (1,543,027)
10.	<b>Capital Expenditure</b>	<b>1,843</b> (2,784)	<b>-</b> (-)	<b>1,602</b> (371)	<b>3,445</b> (3,155)

NOTE: The exports of the company are not a significant portion of its turnover. Accordingly, secondary segment information not been furnished.

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

### SCHEDULE "O" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

#### 28. RELATED PARTIES DISCLOSURE:

Sl.No	Name of the related party	Relationship
1.	Kaytee Switchgear Limited	Subsidiary
2.	Mr. Vijay R. Kirloskar Mr. P. S. Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
3.	KEASI Robicon Industrial Systems Private Limited Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures
4.	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

#### DETAILS OF TRANSACTIONS:

(Rs In 000's)

Nature of transactions	Subsidiaries	Key management personnel and their Relatives	Associates and joint ventures	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	<b>4,474,318</b> (3,658,360)	<b>Nil</b>	<b>Nil</b> (Nil)	<b>9,427</b> (15,052)
Sale of goods/fixed assets	<b>186,428</b> (78,448)	<b>Nil</b>	<b>30,372</b> (10,128)	<b>2,991</b> (20,048)
Purchase of Fixed Assets	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>3,938</b> (-)
Rent received	<b>1,200</b> (1,200)	<b>Nil</b>	<b>Nil</b>	<b>2,528</b> (2,442)
Dividend received	- -	- -	<b>102</b> (-)	<b>2,040</b> (-)
Rent paid	<b>385</b> (13)	-	-	-
Investments as on 31.03.2008	<b>579,200</b> (579,200)	<b>Nil</b>	<b>5,529</b> (5,529)	<b>5,197</b> (5,197)
Amount due to Company as at 31.3.2008	<b>300,950</b> (136,740)	<b>Nil</b> (-)	<b>22,979</b> (8,550)	<b>14,177</b> (51,245)
Amount due from Company as at 31.03.2008	<b>859,076</b> (724,359)	<b>Nil</b>	<b>Nil</b>	<b>28,608</b> (13,295)
Remuneration	<b>Nil</b>	<b>5,932</b> (6,818)	<b>Nil</b>	<b>Nil</b>
Shares allotted during the year	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>60,000</b> (Nil)
Guarantees given by the Company and outstanding at the end of the year	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>128,500</b> (128,500)

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT** (Contd.,)**SCHEDULE "O"** (Contd.,)**Notes attached to and forming part of the Balance Sheet and Profit and Loss Account** (Contd.,)

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

**29. FINANCE LEASES:**

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

(Rs In 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008
Within One year	2,732	1,192	1,540
Later than one year but not later than five years	10,289	2,193	8,096
<b>TOTAL</b>	<b>13,021</b>	<b>3,385</b>	<b>9,636</b>

The company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.8,671 (Rs.4,547).

**30. EARNINGS PER SHARE:**

PARTICULARS	31.03.2008 Rs.(000's)	31.03.2007 Rs. (000's)
<b>BASIC E.P.S:</b>		
<b>After extraordinary items</b>		
Profit for the year after tax expense	236,741	174,946
Less: Preference Dividend including dividend tax	9,828	9,828
	<b>226,913</b>	<b>165,118</b>
Weighted No. of Equity Shares for Basic EPS	<b>32,768,817</b>	31,268,817
Basic EPS (Rs.)	<b>6.92</b>	5.28
<b>Before extraordinary items</b>		
Profit for the year after tax expense	236,741	167,140
Less: Preference Dividend including dividend tax	9,828	9,828
	<b>226,913</b>	<b>157,312</b>
Weighted No. of Equity Shares for Basic EPS	<b>32,768,817</b>	31,268,817
<b>Basic EPS (Rs.)</b>	<b>6.92</b>	5.03
<b>DILUTED E.P.S:</b>		
<b>After extraordinary items</b>		
Profit for the year after tax expense	236,741	174,946
Less: Preference Dividend including dividend tax	9,828	9,828
	<b>226,913</b>	<b>165,118</b>
No. of Equity Shares for Diluted EPS	<b>32,768,817</b>	33,268,817
Diluted EPS (Rs.)	<b>6.92</b>	4.96
<b>Before extraordinary items</b>		
Profit for the year after Tax expense	236,741	167,140
Less: Preference Dividend including dividend tax	9,828	9,828
	<b>226,913</b>	<b>157,312</b>
No. of Equity Shares for Diluted EPS	<b>32,768,817</b>	33,268,817
Diluted EPS (Rs.)	<b>6.92</b>	4.73

## KIRLOSKAR ELECTRIC COMPANY LTD.

### SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

#### SCHEDULE "O" (Contd.,)

Notes attached to and forming part of the balance sheet and profit and loss account (Contd.,)

#### 31. DETAILS OF DEFERRED TAX LIABILITY

Particulars	As at 31.03.2008	As at 31.03.2007
<b>Liability relating to value of fixed assets</b>	<b>17,871</b>	14,967
Asset relating to Disallowance and Unabsorbed depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	<b>17,871</b>	14,967
<b>Net amount</b>	<b>Nil</b>	Nil

32. During the year the company has made provisions towards warranty claims from the customers towards sales and leave to employees, the details of the same are as under: Rs in 000's

Particulars	Leave	Warranty Claims
Balance outstanding at the beginning of the year	<b>4,445</b>	10,417
Provision for the year (net)	<b>3,284*</b>	3,953
Amount paid	<b>589</b>	
Balance outstanding at the end of the year	<b>7,140</b>	14,370

\*Includes Rs. 1,401 (in 000's) in terms of transitional provisions of AS -15 (Revised).

33. There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:

Particulars	As at 31.03.2008 Rs. in 000's
Assets (Receivables)	<b>66,067</b>
Liabilities (Payables)	<b>5,757</b>

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

35. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary.

As per our report of even date

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

Chartered Accountants

**CA SHYAM RAMADHYANI**

Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**

Chairman & Managing Director

**P. Y. MAHAJAN**

Associate Vice President &  
Company Secretary

**P. S. MALIK**

Joint Managing Director

**CA R. K. GUPTA**

Vice President & Chief Financial Officer

Place : Bangalore

Date : June 27, 2008



**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008****SCHEDULE "P"**

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## I. REGISTRATION DETAILS

REGISTRATION No. C 4 1 5 / 4 6 - 4 7

STATE CODE 0 8

BALANCE SHEET DATE 3 1 - 0 3 - 2 0 0 8

## II. CAPITAL RAISED DURING THE YEAR (RUPEES IN THOUSANDS)

## PUBLIC ISSUE

N I L

## BONUS ISSUE

N I L

## RIGHTS ISSUE

N I L

## PRIVATE PLACEMENT

6 0 0 0 0

## III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES IN THOUSANDS)

## TOTAL LIABILITIES

1 6 9 3 6 5 8

## TOTAL ASSETS

1 6 9 3 6 5 8

## SOURCES OF FUNDS

## PAID UP CAPITAL

4 5 2 6 8 8

## SECURED LOANS

3 3 2 3 9 3

## RESERVES &amp; SURPLUS

7 9 9 8 1 8

## UNSECURED LOANS

1 0 8 7 5 9

## APPLICATION OF FUNDS

## NET FIXED ASSETS

1 3 3 1 7 1

## INVESTMENTS

5 8 4 7 5 2

## MISCELLANEOUS EXPENDITURE

N I L

## CAPITAL WORK IN PROGRESS

3 0 7 4 5

## NET CURRENT ASSETS

9 4 4 9 9 0

## ACCUMULATED LOSSES

N I L

## IV. PERFORMANCE OF COMPANY (RUPEES IN THOUSANDS)

## TURNOVER (INCLUDING OTHER INCOME)

7 3 3 7 3 9 9

## PROFIT BEFORE TAX

2 7 2 7 8 1

## EARNING PER SHARE IN RS. (AFTER TAX)

6 . 9 2

## TOTAL EXPENDITURE

7 0 6 4 6 1 8

## PROFIT AFTER TAX

2 3 6 7 4 1

## DIVIDEND RATE %

N I L

## V. GENERIC NAMES OF THREE PRINCIPLE PRODUCTS/SERVICES OF COMPANY

ITEM CODE NO. (ITC CODE) 8 5 . 0 1

PRODUCT DESCRIPTION E L E C T R I C M O T O R S

ITEM CODE NO. (ITC CODE) 8 5 . 0 1

PRODUCT DESCRIPTION A C M A C H I N E S

ITEM CODE NO. (ITC CODE) 8 5 . 0 1

PRODUCT DESCRIPTION D C M A C H I N E S

**CONSOLIDATED  
FINANCIAL STATEMENTS**

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

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited and its subsidiary as at March 31, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
- 3
  - a. Unaudited financial statements of Keasi Robican Industrial Systems Limited for the financial year ended March 31, 2008 received have been used for the purpose of consolidation. The Company's share of assets, liabilities, income and expenditure as adopted for consolidation are not a significant percentage of the total reported figures of the group.
  - b. We have not audited the financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2008. Consequently, the Company's share in the profits of an associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associate. The accounting policies used by it have not been compared and harmonized with the accounting policies used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2008, notes forming part of the financial statements of the said associate have not been furnished.
  - c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. Effect on revenue not ascertainable.*
  - d. *In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated. Effect on revenue not ascertainable.*
4. Subject to our comments in paragraph 3 above, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiary Kaytee Switch Gear Limited, unaudited financial statements of an associate and a jointly controlled entity.
5. Attention is invited to the following: -
  - a) Attention of the members is invited to note 8 of schedule O regarding certain parties accounts being under review/ reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.
  - b) Note 9(a) of schedule O regarding accounts of one of the units of the Company's subsidiary Kaytee Switch Gear Limited, whose accounts have been maintained on SAP R/3 systems. Effect on revenue, if any is not ascertainable
  - c) Note 9(b) of schedule O regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and.
  - d) Notes 6 and 10 of Schedule O regarding amounts due from certain companies of Rs.55.571 million. We have relied on the representations of the management that these debts are good of recovery. We do not express any independent opinion in this matter.

6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraphs 3 and 5 above* and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the balance sheet, of the consolidated state of affairs of the group as at March 31, 2008
  - b. In the case of the profit and loss account, of the profits of the group for the year ended on that date and
  - c. In case of the cash flow statement, of the cash flows of the group for the year ended on that date.

B. K. Ramadhyani & Co., Partner  
4B, Chitrapur Bhavan  
8th main, 15th Cross  
Malleswaram, Bangalore - 560 055  
Place : Banalore  
Date : June 27, 2008

For B.K.RAMADHYANI & CO  
Chartered Accountants

**CA Shyam Ramadhyani**  
Partner  
Membership number 200/19522

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs. in 000's)

	Schedule	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital	A	452,688	432,688
b) Share application money pending allotment			60,000
c) Reserves & Surplus	B	715,541	675,541
		<b>1,168,229</b>	1,168,229
PREFERENCE SHARE CAPITAL OF SUBSIDIARY		<b>117,675</b>	117,675
<b>LOAN FUNDS</b>			
a) Secured Loans	C	1,018,413	1,124,065
b) Unsecured Loans	D	145,350	111,454
		<b>1,163,763</b>	1,235,519
MINORITY INTEREST		<b>95,472</b>	46,968
TOTAL		<b>2,545,139</b>	2,568,391
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	E	2,099,630	2,027,956
b) Less : Depreciation		780,150	683,186
c) Net Block		<b>1,319,480</b>	1,344,770
d) Capital Work in progress	F	114,959	53,727
		<b>1,434,439</b>	1,398,497
<b>INVESTMENTS</b>	G	11,578	11,128
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Inventories		820,679	534,551
b) Sundry Debtors		1,612,705	1,265,448
c) Cash & Bank Balances		568,839	449,392
d) Loans & Advances		405,871	363,421
		<b>3,408,094</b>	2,612,812
Less : <b>CURRENT LIABILITIES &amp; PROVISIONS</b>	I		
a) Current Liabilities		2,223,153	1,917,392
b) Provisions		286,898	138,285
		<b>2,510,051</b>	2,055,677
NET CURRENT ASSETS		<b>898,043</b>	557,135
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	J	—	19,751
GOODWILL ON CONSOLIDATION (NET)		<b>66,766</b>	66,766
PROFIT & LOSS ACCOUNT		<b>134,313</b>	515,114
TOTAL		<b>2,545,139</b>	2,568,391
NOTES ON ACCOUNTS	O		

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

As per our report of even date

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

**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. MALIK**  
Joint Managing Director

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

Place : Bangalore  
Date : June 27, 2008



# KIRLOSKAR ELECTRIC COMPANY LTD.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008 (Rs. in 000's)

	Schedule	Current Year	Previous Year
<b>INCOME</b>			
Sales		7,665,074	6,272,636
Less: excise duty		1,005,915	784,510
Other Income	K	93,281	42,692
Profit on sale of fixed assets (net)		2,216	605
<b>TOTAL</b>		<b>6,754,656</b>	<b>5,531,423</b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	L	4,762,994	3,920,193
Operating and Other Expenses	M	1,139,624	867,141
Interest and Finance Charges			
On Fixed Loans		104,455	87,756
On Other Accounts		31,983	47,876
		136,438	135,632
Depreciation, Amortisations and Provisions	N	146,493	304,013
		6,185,549	5,226,979
Less: Expenses Capitalised		546	1,082
<b>TOTAL</b>		<b>6,185,003</b>	<b>5,225,897</b>
<b>PROFIT BEFORE EXTRAORDINARY INCOME</b>		<b>569,653</b>	<b>305,526</b>
Add: Extraordinary Income-remission of liability		1,811	90,830
<b>PROFIT BEFORE TAX EXPENSE</b>		<b>571,464</b>	<b>396,356</b>
Less: -Minority interest in a subsidiary		64,162	33,411
		507,302	362,945
Add: Share of profit of an associate		552	117
<b>PROFIT FOR THE YEAR BEFORE TAX EXPENSE</b>		<b>507,854</b>	<b>363,062</b>
Less : Provision for Current Tax (net)		54,540	12,000
Provision for Fringe Benefit Tax		9,000	9,500
		63,540	21,500
<b>PROFIT FOR THE YEAR AFTER TAX EXPENSE</b>		<b>444,314</b>	<b>341,562</b>
Less: Preference dividend of subsidiary company including dividend tax		9,969	9,969
		434,345	331,593
Less : Loss brought forward from Previous Year		515,114	846,707
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised) (net of Minority interest)		53,544	—
		568,658	846,707
Balance of Loss Carried to Balance Sheet		134,313	515,114
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic		12.91	7.39
Diluted		12.91	6.94
After Considering Extra ordinary items			
Basic		12.95	10.29
Diluted		12.95	9.67
<b>NOTES ON ACCOUNTS</b>	O		

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

As per our report of even date

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

**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. MALIK**  
Joint Managing Director

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

Place : Bangalore

Date : June 27, 2008

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2008

(000's)

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATION ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	507,854	363,062
DEPRECIATION (INCLUDING GOODWILL)	104,997	106,185
PROVISION FOR INVESTMENTS	—	35,356
AMORTISATION & PROVISIONS	140,269	
PROVISION FOR LEAVE ENCASHMENT PERTAINING TO P/Y	(53,544)	
PROVISION FOR UNINSTALLED MACHINERY		60,800
PROFIT FROM SALE OFFIXED ASSETS (NET)	(2,216)	(605)
PROFIT ON SALE OF INVESTMENTS	—	—
EXTRAORDINARY INCOME	(1,811)	(90,830)
INTEREST AND DIVIDEND (NET)	113,967	122,388
	<u>301,662</u>	<u>233,294</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	809,516	596,356
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	(247,808)	(342,962)
INVENTORIES	(286,128)	(5,056)
TRADE & OTHER PAYABLES	189,299	100,263
	<u>(344,637)</u>	<u>(247,755)</u>
	464,879	348,601
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(136,438)	(135,632)
DIRECT TAXES PAID	(70,852)	(12,293)
	<u>(207,290)</u>	<u>(147,925)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>257,589</b>	<b>200,676</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(76,864)	(23,778)
INCREASE IN VALUE OF INVESTMENT	(450)	2,263
SALE OF FIXED ASSETS	(627)	1,041
CWIP	(61,231)	(5,807)
SALE OF INVESTMENTS	—	—
INCREASE IN MINORITY INTEREST	48,504	33,411
INTEREST RECEIVED	20,420	13,244
DIVIDEND RECEIVED	2,051	—
NET CASH USED IN INVESTING ACTIVITIES	<u>(68,197)</u>	<u>20,374</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM TERM BORROWING		—
REPAYMENT OF TERM BORROWINGS	(71,756)	(94,037)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	—	—
REMISSION OF LOAN LIABILITY	1,811	90,830
PROCEEDS FROM ISSUE OF SHARE CAPITAL	—	60,000
DIVIDEND PAID	—	—
NET CASH USED IN FINANCING ACTIVITIES	<u>(69,945)</u>	<u>56,793</u>
<b>D. NET INCREASE IN CASH</b>	<b>119,447</b>	<b>277,843</b>
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	449,392	171,549
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>568,839</u>	<u>449,392</u>
	<u>119,447</u>	<u>277,843</u>

As per our report of even date

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

Chartered Accountants

**CA SHYAM RAMADHYANI**

Partner

**VIJAY R. KIRLOSAR**

Chairman & Managing Director

**P. Y. MAHAJAN**

Associate Vice President &  
Company Secretary

For and on behalf of the Board of Directors

**P. S. MALIK**

Joint Managing Director

**CA R. K. GUPTA**

Vice President & Chief Financial Officer

Place : Bangalore

Date : June 27, 2008

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008 (Rs. in 000's)

	As at 31st March 2008	As at 31st March 2007
<b>SCHEDULE "A"</b>		
Authorised :		
3,000,000 (3,000,000) Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000 (40,000,000) Equity Shares of Rs. 10/- each	600,000	400,000
<b>TOTAL</b>	<b>900,000</b>	<b>700,000</b>
Issued, Subscribed and Paid-up :		
1,200,000 (1,200,000) Preference Shares of Rs. 100/- each	120,000	120,000
33,268,817 (31,268,817) Equity Shares of Rs. 10/- each	332,688	312,688
<b>TOTAL</b>	<b>452,688</b>	<b>432,688</b>

### NOTES :

- Equity Shares include:
  - 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
  - 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
  - 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.
  - 2,000,000 equity shares of Rs.10/- each aggregating to Rs. 20 million at a premium of Rs.20/- each have been allotted during the year to the promoters group in terms of order June 29, 2007 of the honourable high court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391- 394 of the Companies Act, 1956.
- The preference shares shall be redeemed in 3 annual installments on 30.09.2008, 30.09.2009 and 30.09.2010 respectively
- The preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows.

### SCHEDULE "B"

#### RESERVES AND SURPLUS

Capital Reserve		
As per last Balance Sheet	1,806	1,806
Revaluation Reserve		
As per last Balance Sheet	48,041	48,041
Capital Redemption Reserve		
As per last Balance Sheet	2,500	2,500
Share Premium Account		
As per last Balance Sheet	614,194	614,194
Add: Received during the year	40,000	-
	<b>654,194</b>	<b>614,194</b>
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
<b>TOTAL</b>	<b>715,541</b>	<b>675,541</b>

### SCHEDULE "C"

#### SECURED LOANS

a) From Banks & Financial Institutions	929,459	1,054,863
b) Finance Lease obligations	39,554	-
c) From a Company	-	10,274
d) Zero Coupon Debentures	49,400	58,928
<b>TOTAL</b>	<b>1,018,413</b>	<b>1,124,065</b>

### SCHEDULE "D"

#### UNSECURED LOANS

a) Fixed Deposit Unclaimed	1,151	1,208
b) Interest accrued and due - FDs	41	121
c) SICOM Sales Tax loan	1,119	1,119
d) Sundaram Finance Limited	36,591	
c) From companies	106,448	109,006
<b>TOTAL</b>	<b>145,350</b>	<b>111,454</b>

### NOTE :

Fixed Deposits include unclaimed deposits of Rs.0.367 million (Previous year Rs. 0.478 million)

Amount falling due for payment within one year is Rs.135.974 million (Previous year Rs.63.438 million)

# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs in 000's)

### SCHEDULE "E"

#### FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2007	Additions / Transfers	Deductions/ Transfers	As at 31st March 2008	As at 1st April 2007	Additions for the year	Deductions for the year	As at 31st March 2008	As at 31st March 2008	As at 31st March 2007
Tangible Assets - Owned Land (*)	94,410	-	-	<b>94,410</b>	-	-	-	-	<b>94,410</b>	94,410
Leasehold Land (@)	6,627	-	-	<b>6,627</b>	-	-	-	-	<b>6,627</b>	6,627
Buildings (#)	339,695	28,386	-	<b>368,081</b>	66,210	11,710	3,389	<b>74,531</b>	<b>293,550</b>	273,485
Plant & Machinery	1,466,712	23,011	4,958	<b>1,484,765</b>	517,242	88,699	4,414	<b>601,527</b>	<b>883,238</b>	949,470
(including technical know-how)	-	-	-	-	-	-	-	-	-	-
Furniture & Equipment	61,430	7,614	170	<b>68,874</b>	44,892	2,767	168	<b>47,491</b>	<b>21,383</b>	16,538
Vehicles and Aircraft	15,712	6,328	62	<b>21,978</b>	11,472	971	62	<b>12,381</b>	<b>9,597</b>	4,240
Assets taken on finance lease Plant & Machinery	-	7,857	-	<b>7,857</b>	-	524	-	<b>524</b>	<b>7,333</b>	-
Intangibles Goodwill	42,346	-	-	<b>42,346</b>	42,346	-	-	<b>42,346</b>	-	-
Software	-	3,668	-	<b>3,668</b>	-	326	-	<b>326</b>	<b>3,342</b>	-
Proportionate share of Jointly Controlled Entity	1,024	-	-	<b>1,024</b>	1,024	-	-	<b>1,024</b>	-	-
<b>TOTAL</b>	<b>2,027,956</b>	<b>76,864</b>	<b>5,190</b>	<b>2,099,630</b>	<b>683,186</b>	<b>104,997</b>	<b>8,033</b>	<b>780,150</b>	<b>1,319,480</b>	<b>1,344,770</b>
Previous Year	2,026,335	23,778	22,157	2,027,956	598,722	106,185	21,721	683,186	-	-

(\*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

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

(#) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed and withdrawal of excess depreciation provision for the earlier years

	As at 31st March 2008	As at 31st March 2007
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### SCHEDULE "F"

#### CAPITAL WORK IN PROGRESS

1 Plant & Machinery taken on finance lease	<b>28,879</b>	-
2 Improvements to leasehold premises	<b>23,929</b>	-
3. Advances for lease hold machinery	<b>3,130</b>	93,208
4 Plant & Machinery	<b>100,846</b>	-
5 Building	<b>14,150</b>	24,375
	<b>170,934</b>	117,583
Less: Provision for diminution in value	<b>(55,975)</b>	(63,856)
<b>TOTAL</b>	<b>114,959</b>	<b>53,727</b>

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008 (Rs in 000's)

Details of Investment	Nos	Face Value	As at 31st March, 2008	As at 31st March, 2007
<b>SCHEDULE "G"</b>				
<b>INVESTMENTS (AT COST)</b>				
<b>{LONG TERM}</b>				
TRADE :				
<b>(a) QUOTED :</b>				
<b>(i) Equity Shares - Fully Paid-up</b>				
ICICI Bank Limited (on merger of Sangli Bank Ltd)	1,081	10	<b>100</b>	–
Kirloskar Computer Services Ltd.,	200,000	10	<b>2,380</b>	2,380
The Mysore Kirloskar Ltd.,	770,750	10	<b>21,260</b>	21,260
<b>(ii) Debentures - Fully Paid-up</b>				
The Mysore Kirloskar Ltd., @	30,000	44	<b>1,320</b>	1,320
<b>(b) UNQUOTED :</b>				
<b>Equity Shares - Fully Paid-up</b>				
<b>(i) Investments in associate &amp; joint venture</b>				
KEASI Robicon Industrial Systems Private Limited (Formerly Kirloskar Ansaldo Industrial Systems Pvt Ltd)	500,000	10	5,000	5,000
Kirloskar (Malaysia) Sdn. Bhd, Kuala Lumpur, Malaysia	150,000	MR 1	<b>3,463</b>	3,013
<b>(ii) Investment in others</b>				
Kirloskar Power Equipments Ltd.,	340,000	10	<b>5,909</b>	5,909
Best Trading & Agencies Ltd.,	584	10	<b>6</b>	6
Kirloskar Proprietary Ltd., (acquired 25 shares on rights issue)	26	100	<b>128</b>	12
Sangli Bank Limited	10,000	<b>10</b>	–	100
Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh. 1000	<b>852</b>	852
Kirsons Trading Pte. Ltd	56,250	S \$ 1	<b>1,120</b>	1,120
			<b>36,538</b>	36,088
Less: Provision for diminution in value of Investments			<b>24,960</b>	24,960
<b>TOTAL</b>			<b>11,578</b>	<b>11,128</b>

@ Matured and due for payment.

### NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	<b>25,060</b>	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	<b>11,478</b>	11,128



# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008 (Rs.in 000's)

	As at 31st March 2008	As at 31st March 2007
<b>SCHEDULE "H"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. INVENTORIES - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	142,999	166,606
ii. Stock in trade		
Finished goods (including trading stocks)	228,603	139,335
Process stock	467,104	261,151
iii. Others-Including material at port and scrap	21,508	28,623
	<b>860,214</b>	595,715
Less: Provision for non-moving stocks	39,535	61,164
	<b>820,679</b>	534,551
2. SUNDRY DEBTORS		
(Unsecured, considered good except doubtful debts of Rs.145.053 million, previous year Rs.172.946 million)		
i. Debts outstanding for a period exceeding six months	395,973	352,707
ii. Other debts	1,361,785	1,085,687
	<b>1,757,758</b>	1,438,394
Less : Provision for doubtful debts	145,053	172,946
	<b>1,612,705</b>	1,265,448
3. CASH AND BANK BALANCES		
a. Cash on hand	279	37
b. Amount in transit	10,841	8,505
c. Balances with scheduled banks		
– On current account	286,872	142,663
– On short term deposit accounts	270,847	297,639
Proportionate Share in Jointly Controlled entity	–	548
	<b>568,839</b>	449,392
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good except doubtful advances of Rs. 123.799 million, previous year Rs.124.555 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	378,303	441,191
Less : Provision for doubtful advances	123,799	124,555
	<b>254,504</b>	316,636
Central excise deposits	61,029	25,778
Advance payment of tax (including FBT)	90,201	20,883
Proportionate Share in Joint Control Entity	137	124
	<b>405,871</b>	363,421
<b>TOTAL</b>	<b>3,408,094</b>	2,612,812

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs.in 000's)

	As at 31st March 2008	As at 31st March 2007
<b>SCHEDULE "I"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors	1,555,007	1,001,492
Acceptances	154,497	282,294
Trade Advances	29,129	28,172
Other liabilities (@)	484,517	604,794
Proportionate Share in Joint Control Entity	3	640
	<b>2,223,153</b>	<b>1,917,392</b>
<b>B. Provisions</b>		
For Taxation (including FBT)	96,378	34,372
For Earned Leave	32,790	22,662
for Gratuity	103,904	43,879
For Warranty claim	33,463	26,977
Preference dividend of the subsidiary	20,363	10,395
	<b>286,898</b>	<b>138,285</b>
<b>TOTAL</b>	<b>2,510,051</b>	<b>2,055,677</b>

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

## SCHEDULE "J"

### MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF

<b>1 Deferred Revenue Expenditure</b>		
Voluntary Retirement Scheme	-	19,751
<b>TOTAL</b>	<b>-</b>	<b>19,751</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

(Rs.in 000's)

	Current Year	Previous Year
<b>SCHEDULE "K"</b>		
<b>OTHER INCOME</b>		
Interest :		
On Fixed Deposits	19,750	11,150
Others	670	2,094
(Tax deducted at source Rs.3.24 million, previous year Rs.0.40 million)	20,420	13,244
Dividend from long term		
Investments : Trade	2,051	
Rent received (Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)	4,854	4,216
Miscellaneous*	65,836	25,203
Proportionate Share in jointly Controlled entity	120	29
<b>TOTAL</b>	<b>93,281</b>	<b>42,692</b>

\* Includes provision no longer required Rs.62.13 million (Rs.5.51 million)

## SCHEDULE "L"

### CONSUMPTION OF RAW MATERIALS, STORES, SPARE

#### PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components	4,966,391	3,513,704
Purchases for Trading	88,596	355,718
	5,054,987	3,869,422
Deduct : Increase in stocks		
Stocks at Close		
Process stocks	467,104	261,151
Trading and finished goods	228,603	139,335
Scrap	1,149	4,377
	696,856	404,863
Less : Stocks at commencement		
Process stocks	261,151	283,493
Trading and finished goods	139,335	170,463
Scrap	4,377	1,678
	404,863	455,634
	(291,993)	50,771
Inventories written off	21,629	21,629
Less: Provision withdrawn	21,629	21,629
	4,762,994	3,920,193

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

(Rs.in 000's)

	Current Year	Previous Year
<b>SCHEDULE "M"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	77,894	71,055
Expenses relating to Employees :		
Salaries, Wages & Bonus	491,127	383,151
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	38,400	35,364
Gratuity as per actuarial valuation	30,531	22,526
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges)	67,267	50,523
	627,325	491,564
Rent	30,347	15,589
Repairs		
Buildings	13,212	12,001
Machinery	19,198	22,961
Others	31,486	14,942
	63,896	49,904
Selling Expenses	103,630	55,861
Commission	8,310	5,471
Cash Discount	4,294	2,471
Additional Sales Tax	993	1,133
Maintenance of Vehicles	1,778	1,219
Insurance	5,036	4,621
Rates and Taxes	18,374	7,036
Advertisement	8,814	3,964
Printing & Stationery	9,615	9,348
Travelling Expenses	67,789	50,013
Postage, Telegrams and Telephones	16,114	14,474
Auditors Remuneration	3,809	3,436
Tech. Consultancy & Professional Charges	37,265	29,214
Bank Charges (Net off exchange fluctuation difference of Rs.2.645 million Cr. previous year Rs.2.664 million Dr.)	36,623	33,489
Subscription to technical associations, Journals and Magazines	894	1,238
Computer hire, Software development and data preparation charges	265	298
Manufacturing expenses and sundries	9,277	8,365
Bad debts & disallowance written off	45,668	23,942
Less : Provision for doubtful debts withdrawn	43,649	22,822
	2,019	1,120
Directors' sitting fees	501	355
Remuneration to whole-time directors	4,744	5,889
Proportionate Share of expenses of jointly controlled entity	18	14
Capital Work in progress written off	7,881	-
Less: Provision withdrawn	7,881	-
	1,139,624	867,141
<b>SCHEDULE "N"</b>		
<b>DEPRECIATION, AMORTISATION AND PROVISIONS</b>		
1. Depreciation	104,997	106,185
2. Amortisation of Voluntary Retirement Scheme	19,751	24,072
3. Doubtful debts	15,000	71,770
4. Doubtful advances	-	31,047
5. Diminution in value of uninstalled machinery	-	60,800
6. Diminution in the value of inventories/ assets	-	2,380
7. Warranty claim	6,745	7,759
	146,493	304,013

### SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE "O"

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

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 BASIS OF CONSOLIDATION

The financial statements of Kaytee Switchgear Limited, a subsidiary and an associate used in the preparation of these consolidation financial statements have been drawn up to the same reporting date as that of the parent company i.e. year ended 31<sup>st</sup> March 2008. In respect of KEC North America Inc, a subsidiary, the audited financial statements for the calendar year ended 31<sup>st</sup> December 2005 has been adopted. This Company has been wound up. However, the approval of the Reserve Bank of India in this respect has not been received. The financial statements of KEASI Robicon Industrial System Pvt. Ltd used are as received from it and is unaudited. Intra group balances have not been reconciled and differences to the extent identified have been treated as intra group suspense, pending reconciliation.

##### **Basis of presentation of Financial Statements**

The financial statements of the Company and its subsidiary Kaytee Switchgear Limited have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The accounting policies adopted by KEC North America Inc, KEASI Robicon Industrial Systems Private Limited and an associate has not been compared and harmonized with the accounting policies used by the company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied is not expected to be material.

##### 1.2 PRINCIPLES OF CONSOLIDATION

- a) The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled.
- b) The Company's interest in KEASI Robicon Industrial System Pvt. Ltd, a jointly controlled entity has been accounted as per the proportionate consolidation method envisaged in Accounting Standard 27. In terms of this method, the venture's share of assets, liabilities, income and expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements.
- c) Investment in an associate has been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.
- d) In the absence of necessary information, unrealized profits and losses from intra group transactions either relating to the year or previous years has not been eliminated.
- e) KEC North America Inc, an erstwhile subsidiary was dissolved during the previous year. The financial statements prepared and audited upto 31<sup>st</sup> December 2005 has been used for the purpose of consolidation. Further all the assets and liabilities of this company have been written off/back and the financial statements has been computed on that basis.

##### **Accounting Policies followed by the Company and Kaytee Switchgear Limited**

##### 1.3 ACCRUAL SYSTEM OF ACCOUNTING:

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

##### 1.4 FIXED 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.

##### 1.5 INVESTMENTS:

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

##### 1.6 INVENTORIES:

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

##### 1.7 DEPRECIATION

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, which ever is higher in respect of assets purchased up to 31<sup>st</sup> March 1994.
- b) In respect of additions after 1<sup>st</sup> April 1994, depreciation on the straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged except as otherwise indicated.



## KIRLOSKAR ELECTRIC COMPANY LTD.

- c) Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- d) Depreciation on software is provided at 33.33% per annum.
- e) Depreciation on assets taken on finance lease is charged over the primary lease period.
- f) Depreciation on assets (other than furniture and fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold.

### 1.8 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME

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

### 1.9 RESEARCH AND DEVELOPMENT EXPENDITURE

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

### 1.10 REVENUE RECOGNITION

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

### 1.11 EMPLOYEE BENEFITS

#### (i) Short Term Employee Benefits:

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

#### (ii) Post Employment Benefits:

##### a) Defined Contribution Plans:

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

##### b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligations under such plan is determined based on actuarial valuation using the projected unit credit method.

### 1.12 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCHES

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

### 1.13 TAXES ON INCOME

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

### 1.14 BORROWING COSTS

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

### 1.15 CONTINGENT LIABILITIES

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

Details of the accounting policies followed by an associate and joint venture have not been furnished.

## 2. The Consolidated Financial Statement (CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiary, joint venture and associate:

Name of the Company	Ownership Percentage	Country of Incorporation
Subsidiaries		
Kaytee Switchgear Limited	76.34 %	India
Associate		
Kirloskar (Malaysia) Sdn. Bhd	40.00 %	Malaysia
Joint Venture		
KEASI Robicon Industrial System Pvt. Ltd,	50.00 %	India

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3. a) CONTINGENT LIABILITIES OF THE COMPANY AND KAYTEE SWITCHGEAR LIMITED	As at 31.03.2008 Rs. (000's)	As at 31.03.2007 Rs. (000's)
i) Guarantees / Counter guarantees given on Import and Sale contracts etc.	822,532	202,109
ii) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	<b>Not Ascertainable</b>	Not Ascertainable
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	7,232	15,395
iv) Bill discounted with bank	174,558	–
v) Sales tax demanded under appeal	8,309	8,309
vi) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs.12.944 million)	251,046	246,098
vii) Resale tax demanded and under appeal.	Nil	52,133
viii) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues. The Company has made waiver petition where ever such interest/ penalty has been levied.	<b>Not Ascertainable</b>	Not Ascertainable
ix) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Private Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
x) Arrears of dividend on cumulative preference shares (including tax thereon).	71,659	61,832
<p>In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1, 2001 to September 30, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26, 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1, 2001 to September 30, 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1, 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17, 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.</p>		
xi) Sales tax liability in respect of pending assessments	<b>Not Ascertainable</b>	Not Ascertainable
xii) Income tax demands under the appeal, either by the Company or revenue department.	139,038	132,911
xiii) Kirloskar Electric Company Ltd. had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs. 3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).		

The shortfall in export performance as of 31<sup>st</sup> March 2008 in relation

to commitments is Rs.3,138 million.

The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extend time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs 247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.

xiv)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	<b>198,331</b>	198,331
		<b>Not</b>	<b>Not</b>
		<b>Ascertainable</b>	<b>Ascertainable</b>
xv)	Penal damages levied by the Regional Provident fund commissioner and subject to write before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances.	<b>9,154</b>	9,154

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes , based on legal advice or internal assessment, that the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.

3. b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.64.144 million (Rs. 41.284 million).

#### 4. SECURED LOANS OF THE COMPANY AND KAYTEE SWITCHGEAR

- a) From Bank of Commerce (M) Bhd, Selangor, Malaysia - Secured by a floating charge in respect of property situated, kept, placed or stored at any place in Malaysia, both present and future, including all stocks in trade, goodwill and book debts to an extent of RM 550,000.

Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.

**Nil** 29  
RM 2

Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.

**502,836** 365,936

Against pledge of fixed deposits

**453,837** 626,563

Against security of motor cars

**11,454** 62,364

Zero Coupon Debentures to IDBI and Sundaram Finance Limited – First pari passu charge on fixed assets along with banks and financial institutions as referred in b above.

**886** –

**49,400** 58,928

Term loan from a financial institution – First pari passu charge on the residential property at Nandidurg Road, Bangalore

**–** 10,274

5. 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.

6. Current Assets, Loans and Advances include -

- a) Rs. Nil (Rs. 53.875 million) due from a private limited company in which a director is interested.

- b) Rs. 105.628 million (Rs. 56.276 million) being rescheduled advances from certain companies. The management is confident of recovering these dues and no provision is considered necessary. Some of these companies have incurred losses and their net worth is partially or wholly eroded.

## CONSOLIDATED FINANCIAL STATEMENTS

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7. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever the confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.480.042 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
8. Confirmation of balances from certain sundry debtors / creditors, deposit accounts, loans and advances are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, collector of customs and creditors, are under review and reconciliation. Provision for doubtful debts / advances has been made to the extent ascertained. Adjustments, if any will be made on completion of review/reconciliation. Effect on revenue is not ascertainable and not expected to be material as per management.
9.
  - a. The accounts of one of the units of the Company have been maintained on SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes and have been corrected to the extent identified by the Company. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
  - b. The company has initiated steps to bring the valuation at work in progress and finished goods in line with Accounting Standard - 2 at certain manufacturing units. However, the process followed in determination of cost and net realizable value needs to be improved to bring it in line as required by the said standard. Effect on revenue is not expected to be material as per management.
10.
  - a) The Company holds unquoted investments with book value of Rs.1.972 million in Kirsons Trading Pte. Ltd. and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs. 115.335 million due from these and certain other companies.
  - b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long-term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in the value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.
11. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 issued by The Institute of Chartered Accountants of India but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
12. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.30.30 million (Rs.15,589 million).

## KIRLOSKAR ELECTRIC COMPANY LTD.

- 13.** In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated below has been paid / provided to the whole time directors of the Company

Particulars	(Rs. in 000's)	
	Current Year	Previous Year
Salary	3,837	4,834
Contribution to Provident & Other Funds	907	1,055
<b>TOTAL</b>	<b>4,744</b>	<b>5,889</b>

Liability in respect of accrued gratuity is not ascertainable separately.

- 14.** Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

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

	Current Year (Rs. in 000's)
Employer's Contribution to Provident Fund & Pension Scheme	29,030
Employer's Contribution to Superannuation Fund	9,371

Defined Benefit Plan:

The employees' gratuity fund 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.

1. Reconciliation of opening and closing balances of defined benefit obligation:	(Rs. in 000's)	
	Gratuity (Funded)	Leave (Unfunded)
Defined benefit obligation at beginning of the year	145,016	28,385
Current service cost	7,940	6,349
Interest cost	11,601	2,210
Actuarial (gain)/ loss	(15,854)	(1,373)
Benefits paid	11,515	2,781
Defined benefit obligation at end of the year	168,026	32,790
2. Reconciliation of opening and closing balance of fair value of plan assets:		
Fair value of plan assets at beginning of the year	37,656	
Expected return on plan assets	3,993	
Employer contribution	33,988	
Benefits paid	11,515	
Fair value of plan assets at year end	64,122	
3. Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	64,122	–
Present value of obligation	168,026	32,790
Amount recognised in Balance Sheet	103,904	32,790
4. Expense recognised during the year: <b>(under "Schedule – M"</b>		
<b>Operating &amp; Other expenses of the Profit and Loss account)</b>		
Current Service Cost	7,940	6,349
Interest Cost	11,601	2,210
Expected return on plan assets	3,993	–
Actuarial (gain)/ loss	(15,854)	(1,373)
Net Cost	30,532	7,186
5 Actuarial assumptions:		
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. Previous year figures have not been furnished since AS 15 (Revised) has been implemented for the first time.



## CONSOLIDATED FINANCIAL STATEMENTS

### 15. Related Parties Disclosure:

Sl.No	Name of the related party	Relationship
1.	Mr. Vijay R. Kirloskar Mr. P. S. Malik Mr. L. G. Madhusudhan Mr. G.M. Prabhu Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
2.	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Power Equipments Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

### DETAILS OF TRANSACTIONS:

(Rs. in 000's)

Nature of transactions	Key management personnel and Relatives	Enterprises over which their key management personnel and their relatives are able to exercise significant influence	Total
Purchases of goods/services	<b>Nil</b>	<b>93,315</b> (92,271)	<b>93,315</b> (92,271)
Sale of goods	<b>Nil</b>	<b>21,176</b> (48,248)	<b>21,176</b> (48,248)
Rent received	<b>Nil</b>	<b>2,528</b> (2,442)	<b>2,528</b> (2,442)
Investments as on 31.03.2008	<b>Nil</b>	<b>8,289</b> (8,289)	<b>8,289</b> (8,289)
Amount due to Company as at 31.3.2008	<b>2,700</b> (2,700)	<b>103,069</b> (115,620)	<b>105,769</b> (118,320)
Amount due from Company as at 31.3.2008	<b>125</b> (125)	<b>51,935</b> (20,401)	<b>52,060</b> (20,526)
Rent Paid	<b>1,500</b> (1,340)	<b>Nil</b>	<b>1,500</b> (1,340)
Remuneration	<b>11,706</b> (11,513)	<b>Nil</b>	<b>11,706</b> (11,513)
Shares allotted during the year	<b>Nil</b>	<b>Nil</b>	<b>60,000</b>
Guarantees outstanding at the end of the year	<b>Nil</b>	<b>Nil</b>	128,500 (128,500)

## KIRLOSKAR ELECTRIC COMPANY LTD.

### 16. Segment Reporting:

The Company has identified the reportable segments as power distribution, rotating machine group and others taking into account the nature of products and services, the different risks and returns and the internal reporting systems. The accounting policies for segment reporting are in line with the accounting policies followed by the Company

Particulars	Primary Segment			Total
	Power Distribution	Rotating Machines	Others	
1. SEGMENT REVENUES SALES	<b>2,577,126</b> (1,735,300)	<b>4,485,970</b> (4,008,817)	<b>601,978</b> (528,519)	<b>7,665,074</b> (6,272,636)
2. SEGMENT RESULTS: PROFIT S BEFORE TAXATION AND INTEREST Before Taxation and Interest	<b>260,356</b> (254,586)	<b>560,586</b> (437,450)	<b>186,311</b> (180,842)	<b>1,007,253</b> (872,877)
Less: Interest				<b>136,438</b> (135,632)
Less: Depreciation & amortizations				<b>101,607</b> (301,013)
3. UNALLOCABLE EXPENDITURE				<b>248,853</b> (161,079)
4. UNALLOCABLE INCOME				<b>51,007</b> (124,188)
5. SHARE OF PROFITS) IN AN ASSOCIATE (NET)				<b>552</b> (117)
6. SHARE OF LOSS IN JOINT VENTURE				<b>102</b> (15)
7. MINORITY INTEREST SHARE IN PROFITS				<b>64,162</b> (33,411)
Less: PROVISION FOR CURRENT TAX AND FRINGE BENEFITS TAX)				<b>63,540</b> (21,500)
Total Profits after tax expense				<b>444,314</b> (341,562)
8. SEGMENT ASSETS	<b>931,597</b> (543,689)	<b>2,572,175</b> (2,381,805)	<b>303,282</b> (248,867)	<b>3,807,054</b> (3,174,361)
9. UNALLOCABLE ASSETS				<b>1,114,191</b> (1,007,176)
10. SEGMENT LIABILITIES	<b>622,484</b> (344,459)	<b>685,795</b> (665,922)	<b>153,783</b> (110,595)	<b>1,462,062</b> (1,120,976)
11. UNALLOCABLE LIABILITIES				<b>2,307,224</b> (2,289,770)
12. CAPITAL EXPENDITURE	<b>1,843</b> (2,784)	<b>49,975</b> (20,623)	<b>1,602</b> (371)	<b>53,420</b> (23,778)

## CONSOLIDATED FINANCIAL STATEMENTS

### 17. EARNINGS PER SHARE:

PARTICULARS	31.03.2008 Rs. (000's)	31.03.2007 Rs. (000's)
<b>BASIC E.P.S:</b>		
<b>AFTER EXTRAORDINARY ITEMS</b>		
After extraordinary items		
Profit for the year after tax expense	<b>434,345</b>	331,593
Less: Preference dividends including dividend tax	<b>9,828</b>	9,828
	<b>424,517</b>	321,765
Weighted No. of equity shares for basic EPS	<b>32,768,817</b>	31,268,817
Basic EPS (Rs.)	<b>12.95</b>	10.29
<b>Before extraordinary items</b>		
Profit for the year after tax expense	<b>432,739</b>	240,763
Less: Preference dividends including dividend tax	<b>9,828</b>	9,828
	<b>422,911</b>	230,935
Weighted No. of equity shares for basic EPS	<b>32,768,817</b>	31,268,817
Basic EPS (Rs.)	<b>12.91</b>	7.39
<b>DILUTED E.P.S:</b>		
<b>AFTER EXTRAORDINARY ITEMS</b>		
Profit for the year after tax expense	<b>434,345</b>	331,593
Less: Preference dividends including dividend tax	<b>9,828</b>	9,828
	<b>424,517</b>	321,765
No. of equity shares for diluted EPS	<b>33,268,817</b>	33,268,817
Diluted EPS (Rs.)	<b>12.95</b>	9.67
<b>BEFORE EXTRAORDINARY ITEMS</b>		
Profit for the year after tax expense	<b>432,739</b>	240,763
Less: Preference Dividend including dividend tax	<b>9,828</b>	9,828
	<b>422,911</b>	230,935
No. of Equity Shares for Diluted EPS	<b>32,768,817</b>	33,268,817
Diluted EPS (Rs.)	<b>12.91</b>	6.94

### 18. Deferred Tax Calculation:

	As at 31.03.2008	As at 31.03.2007
Liability relating to depreciation	<b>239,258</b>	234,019
Asset relating to disallowance and unabsorbed depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	<b>239,258</b>	234,019
Net amount	<b>Nil</b>	Nil

Details of deferred tax asset/liabilities of an associate are not available.

### 19. During the year the company has made the provisions towards warranty claims from the customers towards sales and leave encashment to the employees the details of the same are as under:Rs in 000's

Particulars	Warranty Claims	Leave
Balance outstanding at the beginning of the year	26,977	22,662
Provision for the year	6,486	12,909*
Benefits Paid	0	2,781
Balance outstanding at the end of the year	33,463	32,790

\* Includes Rs.5,723 (in 000's) in terms of transitional provisions of AS – 15 (Revised)

**KIRLOSKAR ELECTRIC COMPANY LTD.****20. Finance Leases:**

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

(Rs In 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008 *
Within One year	8,867	4,130	4,737
Later than one year but not later than five years	41,576	9,888	31,688
<b>TOTAL</b>	<b>50,443</b>	<b>14,018</b>	<b>36,425</b>

\* Excludes advance payments made for assets to be taken on finance lease amounting to Rs. 3,129 (In 000's) for which repayment schedule is yet to be finalized by the lessor.

**21. There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:**

Particulars	As at 31.03.2008 Rs. in 000's
Assets (Receivables)	66,974
Liabilities (Payables)	7,741

**22. The Company has filed before the honorable high court of Karnataka a scheme of amalgamation of Kaytee Switchgear Limited (KSL) with it as well as the demerger of the operating business of Kirloskar Power Equipment Limited with it. In terms of the said scheme, the appointed date is 1<sup>st</sup> April 2007. The share holders and the creditors of the Company have approved the said scheme in meetings held in terms of the directions of the honorable court. In terms of the said scheme, all the profits and losses of KSL and Kirloskar Power Equipment Limited from the appointed date till the date the requisite approvals are received and the scheme takes effect will be to the account of the Company. The Company is liable to pay rent to Kirloskar Power Equipments Limited for the property taken on lease. Shares are to be issued to the shareholders of the said companies in terms of the said scheme. Pending receipt of necessary approvals, no effect has been given to the said scheme in the financial statements for the year 2007-2008 and no provision has been made for the said rent payable.**

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

**24. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary.**

As per our report of even date

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

Chartered Accountants

**CA SHYAM RAMADHYANI**

Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**

Chairman &amp; Managing Director

**P. Y. MAHAJAN**Associate Vice President &  
Company Secretary**P. S. MALIK**

Joint Managing Director

**CA R. K. GUPTA**

Vice President &amp; Chief Financial Officer

Place : Bangalore

Date : June 27, 2008

## CONSOLIDATED FINANCIAL STATEMENTS

### STATEMENT REGARDING SUBSIDIARY COMPANIES

Pursuant to Section 212 (1), (3) and (5) of the Companies Act, 1956

Rs. in 000's

1. Name of the Subsidiary Company	Kaytee Switchgear Limited
2. Financial year of the subsidiary ended on	31.3.2008
3. Holding Company's interest	15619512 Equity Shares of Rs.10 each at a premium of Rs. 23.88 per share and 50,00,000 Equity shares of Rs.10 each at par.  76.34%
4. Net aggregate amount of Subsidiary's Profits/(Losses) not dealt with in the Holding Company's Accounts :	
(i) Profit/(Loss) for the Subsidiary's financial year ended 31.3.2008	271182
(ii) Profits/(Losses) for its previous financial years	
Net aggregate of subsidiary's Profits/(Losses) Dealt with in the Holding Company's Accounts	(577767)
Profit/(Loss) for the Subsidiary's financial year ended 31.3.2008	Nil
Profits/(Losses) for its previous financial years	Nil
5. Change in the interest of the Subsidiary Company between the end of the financial year of the subsidiary and the financial year of the Company.	Nil
6. Material changes between the end of the financial year of the subsidiary and the financial year of the Company in respect of :	Nil
Subsidiary's fixed assets	
Subsidiary's investments	
Money lent by the subsidiary	
Money borrowed by the subsidiary for the purpose other than that of meeting current liabilities.	

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &

**P. S. MALIK**  
Joint Managing Director

**CA R. K. GUPTA**  
Vice President & Chief Financial Officer  
Company Secretary

Place : Bangalore  
Date : June 27, 2008



**KAYTEE SWITCHGEAR LIMITED**



## KAYTEE SWITCHGEAR LIMITED

BOARD OF DIRECTORS : **Vijay R. Kirloskar**  
*Chairman & Whole-time Director*

**A. S. Lakshmanan**

**S. Doreswamy**  
*Nominee ICICI Bank Ltd.*

**V. S. Raju**

**L. G. Madhusudhan**

**G. M. Prabhu**

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PRESIDENT & CEO : **P. S. Malik**

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COMPANY SECRETARY : **Y. Venkatesh**

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AUDITORS : **M/s. B. K. Ramadhyani & Co.,**  
Bangalore

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BANKERS : Bank of Baroda  
Bank of India  
Hongkong & Shanghai Banking Corporation Ltd.  
State Bank of India  
State Bank of Mysore  
State Bank of Travancore

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

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FACTORIES : Survey No. 16, Govenahalli, Thyamagondlu  
Hobli, Nelamangala Taluk,  
Bangalore Rural District. - 562 123  
  
Gokul Road, Hubli - 580 030  
  
Hirehalli Industrial Area, Hirehalli, Tumkur - 572 168  
  
Jalahalli, Bangalore - 560 031  
  
J.D. Royalite, Tumkur Road, Bangalore - 560 022

**DIRECTORS' REPORT****TO THE SHAREHOLDERS FOR THE YEAR ENDING 31<sup>ST</sup> MARCH, 2008.**

To

The Shareholders

Your Directors present the Twenty fourth Annual Report of the Company with the Audited Accounts for the year ending 31<sup>st</sup> March 2008.

**WORKING RESULTS:**

The Company's working has resulted in

	<b>for the year ended 31.3.2008 Rs. in million</b>	<b>for the year ended 31.3.2007 Rs. in million</b>
Gross profit including Extra ordinary item Amounting to	<b>397.191</b>	371.544
Less : Provision towards:		
- Deprecation & other Provisions	<b>98.509</b>	225.328
- Taxation	<b>27.500</b>	5.000
Profit for the year	<b>271.182</b>	141.216

**OPERATIONS**

During the year under report, your Company has achieved a turnover of Rs. 4042.14 million (previous year Rs.3310.97 million). The turnover has increased by 22.25% as compared to previous year. The Company has made a profit of Rs.271.18 million (previous year Rs.141.22 million).

**OUTLOOK**

Outlook for the Company is good. The core industrial sectors like steel, cement, mining, power generation, telecom, railways etc have increased their capacity utilization which is providing a steady market for the products of the Company. Further with India being recognized as manufacturing hub for global supplies there is a scope for increase in demand for the products of the Company.

Your Company is having orders in hand valued at Rs. 1790.00 million.

Scheme of Arrangement and amalgamation of the Company with Kirloskar Electric Company Limited.

Your Company proposed amalgamation of the Company with M/s. Kirloskar Electric Company Limited (KECL). The proposed Scheme is in the larger interest of the companies, their shareholders, creditors, employees and the general public. The restructuring would result in unlocking and enhancement of shareholder value through the integration of your Company with KECL. In terms of the said Scheme with effect from the Appointed date the Company shall be amalgamated with KECL.

The Petition filed by your Company pursuant to the provisions of sections 391-394 of the Companies Act, is pending before the Hon'ble High Court of Karnataka.

**FIXED DEPOSITS**

The Company has not invited any fixed deposits.

**PARTICULARS OF EMPLOYEES**

As required under Section 217 (2A) of the Companies Act, 1956, a statement of employees is given in the Annexure which forms a part of this Report.

**ENVIRONMENT, SAFETY AND ENERGY CONSERVATION**

As required by the Companies (Disclosure of Particulars in the Report of Board 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.

**DIRECTORS**

Mr. L.G.Madhusudan retires by rotation and being eligible offers himself for re – appointment.

**CORPORATE GOVERNANCE**

A brief report on Corporate Governance is as under.

**BOARD OF DIRECTORS****COMPOSITION**

The Board comprises of six Directors, including three Independent Directors, two Non Executive Directors and an Executive Chairman.

Name of the Director	Category	No. of Directorships held in other companies	No of Board Committee Memberships held in other companies
Mr. Vijay R. Kirloskar	Executive Chairman	7	1
Mr. A.S.Lakshmanan	Independent	4	4
Mr. S.Doreswamy	Independent	6	7
Prof. V.S.Raju	Independent	2	4
Mr. L.G.Madhusudhan	Non-Executive	1	–
Mr. G.M.Prabhu	Non-Executive	–	–

The Company did not have any pecuniary relationships in transactions with the non- executive Directors during the year under review except for payment of sitting fees for meetings of Board/ Committee attended by them and reimbursement of expenses incurred, if any, for attending the said meetings.

During the year under review, six Board Meetings were held. The meetings were held on 25/06/07,31/07/07,29/10/07, 28/11/07 , 28/01/08 and on 03/03/08.

Attendance of Directors at Board Meetings and at the Annual General Meeting.

Name of the Director	No. of Board Meetings attended	Whether attended the AGM held on August 28, 2008
Mr. Vijay R. Kirloskar	6	Yes
Mr. A.S.Lakshmanan	6	Yes
Mr. S.Doreswamy	6	No
Prof. V.S.Raju	2	No
Mr. L.G.Madhusudhan	6	Yes
Mr. G.M.Prabhu	6	Yes

**Committees of the Board****(i) AUDIT COMMITTEE:**

The Audit Committee has been constituted as per section 292 A of the Companies Act, 1956. The terms of reference include:

- \* Overseeing financial reporting process.
- \* Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- \* Approving internal audit plans and reviewing efficacy of the function.
- \* Discussion and review of periodic audit reports, and
- \* Discussions with external auditors about the scope of audit including the observations of the auditors.
- \* To have full access to information contained in the records of the Company and external professional advice if any.

Minutes of the meetings of the Audit Committee are circulated to members of the Committee and the Board is kept apprised.

Composition and Attendance:

During the year 2007-08, five meetings of the Audit Committee were held. The meetings were held on 25<sup>th</sup> June,2007, 31<sup>st</sup>July,2007, 29<sup>th</sup> October, 2007,28<sup>th</sup> January 2008 and on 3<sup>rd</sup> March, 2008.

Name of the Member	No. of Meetings attended
Mr. A.S.Lakshmanan	5
Mr. Vijay R. Kirloskar	5
Mr. S.Doreswamy	5
Prof. V.S.Raju	1
Mr. L.G.Madhusudhan	5

## TWENTYFOURTH ANNUAL REPORT 2007-08

Members of the Audit Committee have requisite financial and management expertise and have held or hold similar positions in other reputed organisations.

The Statutory Auditors, Internal Auditors and Chief Financial Officer are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

### REMUNERATION COMMITTEE

Your Company has reconstituted the Remuneration Committee in the Board Meeting held on 15<sup>th</sup> March, 2006 and the Committee consists of following members

1. Mr. A.S.Lakshmanan - Chairman
2. Mr. Vijay R.Kirloskar - Member
3. Mr. S.Doreswamy - Member
4. Prof. V.S.Raju - Member

Terms of Reference of the Remuneration Committee include:

- \* To recommend to Board the remuneration of executive/non executive directors;
- \* All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock options, pension etc.;
- \* Details of fixed components and performance linked incentives, along with the performance criteria;
- \* Service contracts, notice period, severance fees;
- \* To decide on the remuneration of Senior executives i.e. General Managers and above;
- \* The quorum for the meetings of the remuneration committee will be 3 (three) members personally present.
- \* The Chairman of the Remuneration Committee should be present at the Annual General Meeting.

### PATTERN OF EQUITY SHAREHOLDING AS ON 31.3.2008

Category	No of Shares	Percentage of shareholding
Kirloskar Electric Company Limited (Holding Company)	2,06,19,512	76.34
Directors & others (Individuals)	8,61,944	3.19
Banks	20,08,985	7.44
Financial Institutions, Mutual Fund, Insurance Companies	35,19,759	13.03
<b>TOTAL</b>	<b>2,70,10,200</b>	<b>100.00</b>

### GENERAL BODY MEETINGS

The last three meetings (AGMs) of the Company were held on the following dates, time and venue.

	Date	Time	Venue
21 <sup>st</sup> Annual General Meeting	Wednesday September 28, 2005	3.00 PM	No. 80/A, Industrial Suburb, 2 <sup>nd</sup> Stage, Yeshwanthpur, Bangalore – 560 022.
22 <sup>nd</sup> Annual General Meeting	Monday September 25, 2006	11.00 AM	Corporate Office of Kirloskar Electric Company Limited, Malleswaram (West). Bangalore- 560 055
23 <sup>rd</sup> Annual General Meeting	Tuesday August 28, 2007	11.00 A.M	Corporate Office of Kirloskar Electric Company Limited, Malleswaram (West). Bangalore- 560 055



**PLANT LOCATION:**Unit- I

Survey No. 16, Govenahalli,  
Thyamagondlu Hobli,  
Nelamangala Taluk,  
Bangalore Rural Distirct 562 123

Unit II

Gokul Road,  
Hubli – 580 030

Unit III

Hirehalli Industrial Area,  
Hirehalli, Tumkur - 572 168

Unit IV

Jalahalli,  
Bangalore –560 031.

Unit V

J.D.Royalite Building,  
Tumkur Road,  
Bangalore – 560 022.

**Address for correspondence**

Post Box. No. 5554, Malleswaram West,  
Bangalore 560 055

Phone: 23374865, 23376727

Fax: 91-80-23377706

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2008 and of the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008.
- (iii) 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.
- (iv) The annual accounts have been prepared on a going concern basis.

**AUDITORS' REPORT**

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

**PARA NO.7 OF THE AUDITORS' REPORT**

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

Appropriate action has been taken to implement Accounting Standard –5 (disclosure of prior period income and expenditure). However prior period income/expenditure is insignificant and has no impact on the accounts.

**PARA NO.8 OF THE AUDITORS' REPORT AND PARA NO. 2c OF THE ANNEXTURE TO THE AUDITOR'S REPORT**

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

**PARA NO.9 OF THE AUDITORS' REPORT**

The Company has initiated steps for recovering the dues and the management is confident of recovering the same.

**PARA NO.10 OF THE AUDITORS' REPORT AND PARA NO. 2c OF THE ANNEXTURE TO THE AUDITOR'S REPORT**

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

**PARA NO.1 (B) OF THE ANNEXURE TO THE AUDITORS' REPORT**

The fixed asset register is maintained, updation of the same is under progress.

**PARA NO.5 OF THE AUDITORS' REPORT AND 4 OF THE ANNEXURE TO THE AUDITORS' REPORT**

The SAP R/3 is an integrated system for materials, production, sales and financial accounting. Some mistakes have crept in while implementing the system. Most of the mistakes have been identified and the reconciliation is in progress. However as the opening stock and closing stock of inventory is based on physical verification, the deficiency apprehended on account of errors in SAP R/3 System will not have any impact on the accounts.

**PARA NO. 9 (A) AND (B) OF ANNEXURE TO THE AUDITORS' REPORT**

The Company is making all efforts to pay all statutory dues in time.

**AUDITORS**

Messrs. B.K.Ramadhyani & Co. Chartered Accountants are the retiring Auditors. They are eligible for re-appointment. The required certificate to the effect that the re-appointment, if made, will be within the limit specified in Section 224 (1-B) of the Companies Act, 1956 has been received from M/s. B.K.Ramadhyani & Co.

**ACKNOWLEDGEMENT**

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

For and on behalf of the Board of Directors

## ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars regarding conservation of energy and technology absorption

### A. CONSERVATION OF ENERGY:

(a).Energy conservation measures taken:

1. Use of Solar energy.
2. Installed energy efficient motors to Lathes, Compressors & Grinding machines.
3. Running of single Compressor for two shops by inters connecting airlines.
4. Feed back method of testing upto 1000 kW.

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

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

(c). Total energy consumption and energy consumption per unit of production

Not applicable

### B. TECHNOLOGY ABSORPTION:

#### 1. Research and development (R & D)

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

(b).AC Motor for REVA electric car.

(c). CANNED pump motor 100 k W /20 k W 2pole /6 pole.

(d).500 k W Wind Generator.

(e).New series of AC Motors for variable speed applications.

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

(a) Quality improvement.

(b) Process improvement resulting in higher production.

(c) Enhanced design and product capability to achieve customer satisfaction.

(d) Development of in-house skills for manufacture of high precision products.

(e) Solution to critical problems.

(f) Cost reduction.

#### 3. Future plan of action

(a) Applied research and value engineering.

(b) Development of new processes.

#### 4. Expenditure on R & D

(Rs. In million)

(a) Capital	Rs. Nil
(b) Recurring Rs.	Rs. 2.134
(c) TOTAL	Rs. 2.134
(d) Total R & D expenditure as a % of total turnover	Rs. 2.134 0.05

#### 5. Technology absorption, adaptation and innovation

(a) Efforts, in brief, made towards technology absorption, adaptation and innovation

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

(b) Benefits derived as a result of the above efforts,

- Enhanced Product range.
- Import substitution.
- Quality improvement.
- Product performance improvement and reliability.
- Better acceptability of products by customers.

(c) Future Plan of action

- Upgradation of existing technology.
- Development of new processes.

(d) Technology imported during the last 5 years.

(a) Technology imported

(b) Has technology been fully absorbed? If not fully, absorbed, areas where this has not taken place, reasons therefor and future plans of action.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a The details of foreign exchange earnings and outgo are given below

(Rs. in million)

(i)	FOB value of goods exported (net) inclusive of sales within in India eligible of export incentives.	NIL
(ii)	Dividend on shares (net of tax)	NIL
(iii)	Repatriation of Profit	NIL
(iv)	Others	4.452

b Value of imports calculated on the CIF basis

(Rs. in million)

(i)	Raw materials	301.993
(ii)	Components and spare parts	22.426
(iii)	Capital goods	20.677

For and on behalf of the Board of Directors

Place : Bangalore  
Dated : 27<sup>th</sup> June, 2008

**VIJAY R. KIRLOSAR**  
Chairman

## TWENTYFOURTH ANNUAL REPORT 2007-08

### Statement as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2008.

(i) Persons employed throughout the year under review who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 24,00,000/-

(a) Name : Mr. P.S.Malik, President and CEO

Name	: Mr. P. S. Malik
(a) Age (Years)	: 62 years
(b) Designation and Nature of Duties	: President & CEO
(c) Nature of employment	: Contractual
(d) Remuneration Gross (Rs.)	: Rs. 45,78,630
(e) Net (Rs.)	: Rs. 22.34,612
(f) Qualification	: P.U.
(g) Experience (Years)	: 38 years
(h) Date of commencement of employment	: 2003.12.23
(i) Last employment held	: Indian Lead Limited, Thane

(B) Name: Mr. E.P.Ramachandran, Unit Chief, Unit –I ,Govenahalli

(a). Age (Years)	: 52 years
(b). Designation and Nature of Duties	: Unit Chief
(c). Nature of employment	: Contractual
(d). Remuneration Gross (Rs.)	: Rs. 24,85,659.08
(e). Net (Rs.)	: Rs. 16,35,195.58
(f). Qualification	: B.E Electrical
(g). Experience (Years)	: 28 years
(h). Date of commencement of employment	: 1980-08-01
(i). Last employment held	: KirloskarElectric Company Limited

(ii) Persons employed for a part of the financial year under review who were in receipt of remuneration for any part of the financial year, at a rate which, in aggregate, was not less than Rs. 2,00,000/- per month

NIL

Notes :

- Gross Remuneration includes salary, leave travel assistance, encashment of leave, if any, house rent allowances/ house rent paid, Company's contribution to Provident Fund and Superannuation Fund for the period and value of perquisites wherever applicable.
  - Net Remuneration is after income tax and professional tax deducted at source.
- Nature of employment is contractual. Other terms and conditions are as per the Rules and Regulations of the Company.
- He is not a relative of any director of the Company.
- There is no other employee who comes under the purview of above sub section.

For and on behalf of the Board of Directors

Place : Bangalore  
Dated : 27<sup>th</sup> June, 2008

**VIJAY R. KIRLOSKAR**  
Chairman

## KAYTEE SWITCHGEAR LIMITED

### AUDITORS' REPORT TO THE MEMBERS OF KAYTEE SWITCHGEAR LIMITED, BANGALORE

We have audited the attached Balance Sheet of Kaytee Switchgear Limited, Bangalore as at March 31, 2008, the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto.

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the said order.

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

4. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
5. *Subject to paragraph 8 of the annexure to this report*, proper Books of Account as required by law have been maintained by the Company so far as it appears from our examination of those books.
6. The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.
7. In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, *subject to notes 20(b) (Valuation of inventories) and 21 (non disclosure of prior period income/expenditure as required by AS 5) of schedule M.*
8. On the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
9. *Attention of the members is invited to note 16 of schedule M regarding debts / advances from certain companies of Rs. 32.219 million where there are no regular recoveries/adjustments. We have relied on the representations of the management that the same is good of recovery. We do not express any independent opinion in this matter.*
10. *Attention of the members is invited to note 19 of schedule M regarding certain parties accounts being under review/ reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.*
11. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 18, schedule M and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and *subject to paragraphs 5, 7, 9 & 10 above and paragraphs 2 & 4 of the annexure to this report* give a true and fair view in conformity with the accounting principles generally accepted in India:
  - A In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008
  - B In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
  - C In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYANI & CO.  
Chartered Accountants

**CA Shyam Ramadhyani**

Partner

Membership number 200/19522

Bangalore  
Date: June 27, 2008

**ANNEXURE TO AUDITORS' REPORT**

(AS REFERRED TO IN PARA 3 OF OUR REPORT TO THE MEMBERS OF KAYTEE SWITCHGEAR LIMITED)

1. a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.
- b. The management during the year has physically verified a portion of fixed assets. We have been informed by the management that reconciliation of a major portion of assets has been completed and that no material discrepancies were observed. Fixed assets lying with third parties are subject to confirmation.
- c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties are subject to confirmation.*
- b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory in terms of quantities *except in the case of inventories of certain units and Work in Progress.* The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.
- d. We have relied on the representation of the management that the consumption of materials and components is in line with the industry norms.
3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 16 of schedule M are advances and not in the nature of loans.
4. *Subject to note 20 (a) of schedule M and having regard to the explanations given to us that some of the bought out items/assets are proprietary and/or special and/or are customised to the requirements of the Company and as such comparative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. Except in respect of matters outlined in note 20(a) of schedule M, we have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls.*
5. a. As far as we could ascertain, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.
6. The Company has not accepted any deposits from the public and as such the provisions of clause 4(vi) of the Order are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to note 20(a) of schedule M and non maintenance of inventory records at certain units.* We have not made a detailed review of the same to ensure their accuracy and completeness.
9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months. *There has been default in depositing undisputed statutory dues on account of sales tax with the appropriate authority during the year.*
- b. *According to the information and explanations given to us, undisputed statutory dues as at March 31, 2008 outstanding for a period of more than six months from the date they became payable are detailed below (to the extent identified from the records pending complete reconciliation of the relevant accounts)*

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Karnataka Value Added Tax Act, 2003	Karnataka Value Added Tax	20,740,530	April 2007 to August 2007

- c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, wealth tax, excise duty, service tax and cess had not been deposited as at March 31, 2008 with the relevant authorities on account of disputes.



## KAYTEE SWITCHGEAR LIMITED

Name of the statue	Nature of dues	Amount (Rs.)	Period to which the Amount	Forum where dispute is pending Relates
The Central Excise and Salt Act, 1944	Excise Demand	175,000	January 2004	Central Excise &Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	30,112	April 1993	High Court of Karnataka
The Central Excise and Salt Act, 1944	Excise demand	129,023	March 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	64,111	October 2006	Commissioner of Central Excise (Appeals)
The INcome Tax Act, 1961	Penalty	6,127,121	2006-07	Commissioner of Income Tax (Appeals)
Employees Provident Fund Ac.	Penal Damages	4,536,160	2004-05	High Court of Karnataka

10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. In terms of Profit & Loss account prepared by the company, it has not incurred any cash losses during the year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of interest and instalments to banks and financial institutions. The aggregate overdues to banks & financial institutions as at March 31, 2008 was of Rs.5.74 million and Rs.7.90 million respectively.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, no guarantees have been given by the Company during the year for loans taken by others from banks and financial institutions.
16. In our opinion, the Company has not taken any term loans during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
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 funds of Rs.289.21 million raised on short-term basis have been used for long term investment. For this purpose, working capital loans and overdue interest to banks and financial institutions converted to term loans pursuant to the scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 and accrued interest which is to be converted to preference shares in terms of the restructuring scheme submitted by the company to banks and institutions has been considered as funds raised on long-term basis.
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 during the year. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.
19. According to the information and explanations given to us, there are no outstanding debentures as at March 31, 2008. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes a material misstatement to the financial statement have been noticed or reported during the year.

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

B. K. Ramadhyani & Co.,  
4B, Chitrapur Bhavan  
8<sup>th</sup> main, 15<sup>th</sup> cross, Malleswaram,  
Bangalore - 560 055  
Date: June 27, 2008

**CA Shyam Ramadhyani**  
Partner  
Membership No. 200/19522

**BALANCESHEET AS AT 31st MARCH 2008**

(Rs. In 000's)

	Schedule	Asat 31st March, 2008 Rs.	Asat 31st March, 2007 Rs.
<b>SOURCES OF FUNDS</b>			
SHARE HOLDERS' FUNDS			
a) Share Capital	A	387,777	387,777
b) Reserves & Surplus	B	440,000	440,000
		<b>827,777</b>	827,777
LOAN FUNDS			
a) Secured Loans	C	686,020	879,770
b) Unsecured Loans	D	36,591	39,406
		<b>722,611</b>	919,176
TOTAL		<b>1,550,388</b>	1,746,953
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
a) Gross Block	E	1,712,003	1,662,028
b) Less: Depreciation		525,696	433,109
c) Net Block		<b>1,186,307</b>	1,228,919
d) Capital Workingprogress	F	84,215	43,400
		<b>1,270,522</b>	1,272,319
CURRENT ASSETS, LOANS & ADVANCES	G		
a) Inventories		364,815	304,825
b) Sundry Debtors		873,155	668,051
c) Cash & Bank Balances		44,091	35,176
d) Loans & Advances		126,147	112,709
		<b>1,408,208</b>	1,120,761
Less: CURRENT LIABILITIES & PROVISIONS	H		
a) Current Liabilities		1,251,722	1,073,720
b) Provisions		183,204	83,987
		<b>1,434,926</b>	1,157,707
NET CURRENT ASSETS		<b>(26,719)</b>	(36,946)
PROFIT & LOSS ACCOUNT		<b>306,585</b>	511,580
TOTAL		<b>1,550,388</b>	1,746,953
NOTES ON ACCOUNTS	M	-	-
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	N		

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

As per our report of even date

For and on behalf of the Board of Directors

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

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**P. S. MALIK**  
President & CEO

**L.G. MADHUSUDAN**  
Director

**CA SHYAM RAMADHYANI**  
Partner

**Y. VENKATESH**  
Company Secretary

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)

Place : Bangalore

Date : 27th June 2008

# KAYTEE SWITCHGEAR LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2008 (Rs.In 000's)

	Schedule	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales		4,675,899	3,822,732
Excise Duty		633,761	511,757
		<b>4,042,138</b>	3,310,975
Other Income	I	37,387	5,535
Profit on Sale of Fixed Assets		-	
<b>TOTAL</b>		<b>4,079,525</b>	<b>3,316,510</b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Stores, Sparesparts & Components and purchasing for Trading	J	2,817,978	2,347,062
Operating and Other Expenses	K	768,350	579,438
Plant relocation expenses		-	-
Interest and Finance Charges			
On Fixed Loans		81,215	65,423
On Other Accounts		16,867	36,309
		<b>98,082</b>	101,732
Loss on Sale of Fixed Assets		-	10
Depreciation and Provisions	L	98,509	225,328
		<b>3,782,919</b>	3,253,570
Less: Expenses Capitalised		265	252
<b>TOTAL</b>		<b>3,782,654</b>	<b>3,253,318</b>
<b>PROFIT BEFORE EXTRA ORDINARY ITEMS</b>		<b>296,871</b>	63,192
Add: Extraordinary income-remission of liability		1,811	83,024
<b>PROFIT FOR THE YEAR BEFORE TAX EXPENSE</b>		<b>298,682</b>	146,216
Less: Provision for Income Tax		23,500	
Less: Provision for Fringe Benefit Tax		4,000	5,000
<b>PROFIT FOR THE YEAR AFTER TAX EXPENSE</b>		<b>271,182</b>	141,216
Less : Loss brought forward from Previous Year		511,580	652,796
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)		66,187	-
		<b>577,767</b>	652,796
Balance of Loss Carried to Balance Sheet		(306,585)	(511,580)
Basic and Diluted Earnings Per Share (face value Rs10/- per share) - Rupees		9.61	1.79
Before considering extraordinary items		9.67	4.86
After considering extra ordinary items			
Number of Weighted Average Equity Shares		27,010,200	27,010,200

NOTES ON ACCOUNTS M

BALANCE SHEET ABSTRACT &

COMPANY'S GENERAL BUSINESS PROFILE N

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

As per our report of even date

For and on behalf of the Board of Directors

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

Chartered Accountants

**VIJAY R. KIRLOSKAR**

Chairman & Whole-time Director

**P. S. MALIK**

President & CEO

**L.G. MADHUSUDAN**

Director

**CA SHYAM RAMADHYANI**

Partner

**Y. VENKATESH**

Company Secretary

**PRALHAD P. KATTI**

Deputy General Manager (Finance)

Place : Bangalore

Date : 27th June 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008**

(Rs. In 000s)

<b>PARTICULARS</b>	<b>Current year Rs.</b>	<b>Previous year Rs.</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	296,871	63,192
ADJUSTMENT FOR :		
DEPRECIATION	95,976	97,026
DEPRECIATION WITHDRAWN AS PROVISION NO LONGER REQUIRED	(3,389)	-
AMORTISATION AND PROVISIONS	71,717	7,115
LOSS/( PROFIT) ON SALE OF FIXED ASSETS	-	10
PROVISION PERTAINING TO EMPLOYEE BENEFITS FOR THE PREVIOUS YEARS	(66,187)	
INTEREST AND DIVIDEND (NET)	94,411	99,581
	<u>192,528</u>	<u>203,732</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<u>489,399</u>	<u>266,924</u>
ADJUSTMENTS FOR:		
TRADE AND OTHER RECEIVABLES	(197,289)	24,366
INVENTORIES	(59,990)	6,708
TRADE AND OTHER PAYABLES	178,003	(51,776)
	<u>(79,276)</u>	<u>(20,702)</u>
<b>CASH GENERATED FROM OPERATIONS</b>	<u>410,123</u>	<u>246,222</u>
INTEREST PAID	(98,082)	(101,732)
TAX PAID	(21,253)	(3,892)
	<u>(119,335)</u>	<u>(105,624)</u>
<b>NET CASH ROM OPERATING ACTIVITIES</b>	<u>290,788</u>	<u>140,598</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(90,790)	(5,304)
SALE OF FIXED ASSETS	-	4
INTEREST RECEIVED	3,671	2,151
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(87,119)</u>	<u>(3,149)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
REPAYMENT OF TERM BORROWINGS	(194,754)	(133,783)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(194,754)</u>	<u>(133,783)</u>
	<u>8,915</u>	<u>3,666</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
CASH AND CASH EQUIVALENTS AS AT 01.04.2007	35,176	31,510
CASH AND CASH EQUIVALENTS AS AT 31.03.2008	<u>44,091</u>	<u>35,176</u>
	<u>8,915</u>	<u>3,666</u>

As per our report of even date

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

**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**Y. VENKATESH**  
Company Secretary

**P. S. MALIK**  
President & CEO

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)

Place : Bangalore

Date : 27th June 2008

# KAYTEE SWITCHGEAR LIMITED

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008

(Rs in 000's)

	As at 31st MAR 2008 Rs.	As at 31st March 2007 Rs.
<b>SCHEDULE "A"</b>		
<b>AUTHORISED</b>		
1,400,000 Preference Shares of Rs. 100/- each	140,000	140,000
28,000,000 Equity Shares of Rs. 10/- each	280,000	280,000
<b>TOTAL</b>	<b>420,000</b>	<b>420,000</b>
<b>ISSUED, SUBSCRIBED AND PAID-UP :</b>		
1,176,746 Preference Shares of Rs. 100/- each	117,675	117,675
27,010,200 Equity Shares of Rs. 10/- each	270,102	270,102
<b>TOTAL</b>	<b>387,777</b>	<b>387,777</b>
<b>NOTES :</b>		
1. Equity Shares include:		
(a) 1,56,19,512 shares issued to Kirloskar Electric Co Ltd., as fully paid pursuant to order of the Karnataka High Court under sec 391- 394 of Companies Act 1956 without payment received in cash & 63,80,488 shares to certain banks & financial institutions in part conversion of their outstanding dues.		
(b) 5,000,000 equity shares issued to Kirloskar Electric Company Limited on preferential basis during the year 2005 - 06 at par.		
(c) 20,619,512 shares are held by the holding Company.		
2. 1,176,746 cumulative redeemable preference shares were allotted during the year 2005-06 to certain banks & financial institutions by converting part of their outstanding interest dues in terms the reschedulment proposal approved by them.		
3. The cumulative preference shares shall be redeemed in 3 equal annual installments commencing from 2009-10		
<b>SCHEDULE "B"</b>		
<b>RESERVES AND SURPLUS</b>		
Share Premium Account	440,000	440,000
<b>TOTAL</b>	<b>440,000</b>	<b>440,000</b>
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
a) Frombanks	629,488	811,214
b) From financial institutions	26,614	59,028
c) Finance Lease obligations	29,918	-
d) Zero coupon debentures to Sundaram Finance Limited	-	9,528
<b>TOTAL</b>	<b>686,020</b>	<b>879,770</b>
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS</b>		
From Sundaram Finance Limited	36,591	39,406
	<b>36,591</b>	<b>39,406</b>

Amount falling due for payment within one year is RS. 27.444 million (Rs.11.59 million)

### SCHEDULE "E"

#### FIXED ASSETS

(Rs. in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2007	Additions Transfers during the period	Deletions/ Transfers during the period	As at 31.03.2008	As at 01.04.2007	Depreciation. For the period	Withdrawals during the period	As at 31.03.2008	As at 31.03.2008	As at 31st March 2007
Land	41,259	-	-	41,259	-	-	-	-	41,259	41,259
Leasehold Land	6,627	-	-	6,627	-	-	-	-	6,627	6,627
Buildings	286,666	28,386	-	315,052	33,841	9,440	3,389	39,892	275,160	252,825
Plant & Machinery	1,311,593	17,306	-	1,328,899	392,735	84,800	-	477,535	851,364	918,858
Furniture & Equipment	14,903	3,086	-	17,989	6,008	1,558	-	7,566	10,423	8,895
Vehicles	980	1,197	-	2,177	525	178	-	703	1,474	455
<b>TOTAL</b>	<b>1,662,028</b>	<b>49,975</b>	<b>-</b>	<b>1,712,003</b>	<b>433,109</b>	<b>95,976</b>	<b>3,389</b>	<b>525,696</b>	<b>1,186,307</b>	<b>1,228,919</b>
Previous Year	1,644,746	17,297	15	1,662,028	336,084	97,026	1	433,109		

#### NOTES:

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

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> March 2008**

(Rs in 000's)

	As at 31st March 2008 Rs.	As at 31st March 2007 Rs.
<b>SCHEDULE "F"</b>		
<b>CAPITAL WORK IN PROGRESS</b>		
1 Plant & Machinery taken on finance lease	26,789	—
2 Improvements to leasehold premises	23,930	—
3 Advances for lease hold machinery	3,130	—
4 Plant & Machinery	40,984	36,825
5 Building	—	24,375
	<u>94,833</u>	<u>61,200</u>
Less:		
Provision for diminution in value	(10,618)	(17,800)
<b>TOTAL</b>	<u><b>84,215</b></u>	<u><b>43,400</b></u>
<b>SCHEDULE "G"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. Current Assets</b>		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, Stores, Spares Parts, Components etc.,	91,881	115,587
ii. Stock in Trade		
Finished Goods (including Trading Stocks)	64,866	54,179
Process Stock	233,263	156,433
iii. Others-Including Material at Port and Scrap	<u>1,936</u>	<u>9,082</u>
	<b>391,946</b>	<b>335,281</b>
Less: Provision for non-moving stock	<u>27,131</u>	<u>30,456</u>
	<b>364,815</b>	<b>304,825</b>
2. Sundry Debtors		
(Unsecured, Considered Good except doubtful debts		
of Rs.89.624 million (previous year Rs.126.000 million)		
i. Debts outstanding for a period exceeding six months	271,901	250,375
ii. Other Debts	<u>690,878</u>	<u>543,676</u>
	<b>962,779</b>	<b>794,051</b>
Less : Provision for doubtful debts	<u>89,624</u>	<u>126,000</u>
	<b>873,155</b>	<b>668,051</b>
3. Cash and Bank Balances		
a. Cash on Hand	22	32
b. Balances with scheduled banks		
— On Current Accounts	27,760	12,484
— On Short term deposit accounts	<u>16,309</u>	<u>22,660</u>
	<b>44,091</b>	<b>35,176</b>
<b>B. Loans and Advances</b>		
(Unsecured, Considered Good except doubtful advances		
of Rs.90.13 millions (Previous year Rs.90.89 millions)		
Advances Recoverable in Cash or in kind or		
for value to be received		
Sundry Advances	180,746	194,444
Less : Provision for Doubtful Advances	<u>90,130</u>	<u>90,887</u>
	<b>90,616</b>	<b>103,557</b>
Balances with Central Excise in current accounts	9,134	4,008
Advance payment of tax	<u>26,397</u>	<u>5,144</u>
	<b>126,147</b>	<b>112,709</b>
	<u><b>1,408,208</b></u>	<u><b>1,120,761</b></u>

# KAYTEE SWITCHGEAR LIMITED

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> March 2008

(Rs in 000's)

	As at 31st March 2008 Rs.	As at 31st March 2007 Rs.
<b>SCHEDULE "H"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
(a) Sundry Creditors (Refer Note 18 of Schedule "M")	685,797	485,634
(b) Acceptances	142,194	282,293
(c) Trade Advances	2,457	435
(d) Other Liabilities	421,274	305,358
	<b>1,251,722</b>	<b>1,073,720</b>
<b>B. Provisions</b>		
(a) Earned Leave	25,650	18,217
(b) Warranty claim	19,093	16,560
(c) Taxation (including F B T )	35,300	7,800
(d) Provision for Gratuity.	103,161	41,410
	<b>183,204</b>	<b>83,987</b>
	<b>1,434,926</b>	<b>1,157,707</b>
<b>SCHEDULE "I"</b>		
<b>OTHER INCOME</b>		
<b>Interest :</b>		
(a) On Fixed Deposits	3,463	1,784
(b) Others	208	367
(Tax deducted at source Rs.0.3 million previous year Rs.0.2 million)	<b>3,671</b>	<b>2,151</b>
<b>Others:</b>		
(a) Rent Received	467	95
(b) Miscellaneous	176	18
(c) Provision no longer required/unclaimed credit balance written back	33,073	3,271
	<b>37,387</b>	<b>5,535</b>
<b>SCHEDULE "J"</b>		
<b>CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS &amp; COMPONENTS AND PURCHASES FOR TRADING</b>		
Raw material and Components	2,850,302	2,240,729
Stores, Spare Parts etc	51,965	40,887
	<b>2,902,267</b>	<b>2,281,616</b>
Decrease / (Increase) in Stocks		
Stock at Close		
Process Stock	233,263	156,433
Trading and Finished Goods	64,866	54,179
Scrap	1,149	4,377
	<b>299,278</b>	<b>214,989</b>
Less : Stock at commencement		
Process Stock	156,433	226,401
Trading and Finished Goods	54,179	52,356
Scrap	4,377	1,678
	<b>214,989</b>	<b>280,435</b>
	<b>(84,289)</b>	<b>65,446</b>
Inventories written off	3,325	—
Less: Provision withdrawn	3,325	—
	<b>2,817,978</b>	<b>2,347,062</b>



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "K"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	64,605	60,282
Expenses relating to Employees :		
Salaries, Wages & Bonus	363,979	286,294
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	28,482	27,421
Gratuity as per actuarial valuation	29,502	20,057
Workmen and Staff Welfare Expenses (includes contribution to employee's state insurance & PF Administration charges)	50,516	42,012
	472,479	375,784
Rent	23,214	12,254
Repairs		
Buildings	6,385	5,690
Machinery	18,052	20,593
Others	22,763	5,162
	47,200	31,445
Selling Expenses	77,983	29,275
Commission	2,577	489
Cash Discount	3,834	2,446
Additional Sales Tax	-	146
Maintenance of Vehicles	203	220
Insurance	3,778	2,953
Rates and Taxes	6,250	4,582
Advertisement	108	555
Printing & Stationery	2,433	3,462
Travelling Expenses	16,666	14,732
Postage, Telegrams and Telephones	4,306	4,712
Auditors Remuneration	1,900	1,735
Tech. Consultancy & Professional Charges	14,296	11,898
Bank Charges (net of Rs.0.715 million (Rs.0.328 million) of exchange difference)	19,732	17,201
Subscription to Technical Associations, Journal & Magazines	112	126
Computer hire, Software development & Data preparation Charges	265	298
Manufacturing expenses and sundries	6,184	4,688
Bad debts and other disallowances written off	37,133	22,822
Less : Provision for Doubtful & debts and Advances withdrawn (net)	37,133	22,822
Uninstalled Machinery written off	7,182	-
Less : Provision withdrawn	7,182	-
Directors' sitting fees	225	155
<b>TOTAL</b>	<b>768,350</b>	<b>579,438</b>

**SCHEDULE "L"**

**DEPRECIATION, AMORTISATION AND PROVISIONS**

1 Depreciation	95,976	97,026
2 Provision for uninstalled machinery	-	17,800
3 Provision for doubtful debts	-	93,451
4 Provision for doubtful advances	-	12,347
5 Warranty claim	2,533	4,704
	98,509	225,328

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****SCHEDULE "M"****A. SIGNIFICANT ACCOUNTING POLICIES****1.1 ACCRUAL SYSTEM OF ACCOUNTING**

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

**1.2 FIXED ASSETS**

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. Internally manufactured assets are valued at works cost.

**1.3 INVENTORIES**

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

**1.4 DEPRECIATION**

- a. Depreciation is charged on straight line method at the rates specified in schedule XIV to the Companies Act, 1956 except as stated as under.
- b. Depreciation on assets taken on finance lease is provided over the primary lease period
- c. Depreciation on furniture and fixtures above Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition.
- d. Assets whose cost is Rs.5,000/- or below are fully depreciated in the year of addition.
- e. Depreciation on assets (other than furniture and fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold.

**1.5 RESEARCH AND DEVELOPMENT EXPENSES**

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

**1.6 REVENUE RECOGNITION**

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

**1.7 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 an 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. Contributions paid/ payable under the schemes are recognised during the year in which an 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.

**1.8 TAXES ON INCOME**

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

**1.9 BORROWING COSTS**

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

**1.10 CONTINGENT LIABILITIES**

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

**1.11 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.

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)**

**SCHEDULE "I" (Contd.,)**

**Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)** Rs. in 000's

<b>B. NOTES FORMING PART OF ACCOUNTS</b>	<b>As at 31.03.2008</b>	<b>As at 31.03.2007</b>
<b>2. (a) CONTINGENT LIABILITIES</b>		
i. Guarantees / counter guarantees given on import and sale contracts etc.	<b>468,186</b>	22,758
ii. Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
iii. Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	<b>398</b>	484
iv. Claims against the Company not acknowledged as debt.	<b>29,759</b>	29,759
v. Sales tax liability in respect of pending assessments	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
vi. Resale tax demanded and under appeal.	<b>-</b>	52,133
vii. Interest and penalty if any, on account of delays in payment of statutory/suppliers dues. The Company has made waiver petition wherever such interest or penalty has been levied.	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
viii. Kirloskar Electric Company Ltd. had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs. 3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).  The shortfall in export performance as of 31 <sup>st</sup> March 2008 in relation to commitments is Rs.3,138 million.  The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extend time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs 247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.	<b>198,331</b>	198,331
ix. Penal damages levied by the Regional Provident fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances.	<b>9,154</b>	9,154
x. Arrears of dividend on cumulative preference shares (including tax thereon)	<b>20,420</b>	10,406
xi. Income tax demand under appeal  In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	<b>6,127</b>	-
<b>2. (b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.19.644 million (Rs.41.284 million).</b>		
<b>3. SECURED LOANS</b>		
A. Working Capital facilities from consortium banks are secured by first pari passu charge on current assets and second pari passu charge on fixed assets. All the facilities are guaranteed by Chairman & Managing Director of the company.  Term Loans from banks and financial institutions are secured by first pari passu charge on fixed assets along with amount due on debentures to Sundaram Finance Limited and second pari passu charge on current assets.  Default in payments of installment and interest thereon to certain lenders shall result in a right to convert the whole or part of the outstanding into fully paid equity shares of the Company at par.		
B. From Sundaram Finance Ltd. - Zero Coupon Debentures - First pari passu charge on fixed assets along with amount due on account of term loans to Banks & Financial Institutions.		

## KAYTEE SWITCHGEAR LIMITED

	Current Year (Rs. In 000's)	Previous Year (Rs. In 000's)
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### 4. EARNINGS IN FOREIGN EXCHANGE

F.O.B. value of goods exported (Net) (inclusive of sales within India eligible for export incentives)

However, Kirloskar Electric Company Limited has effected exports (including deemed exports) to a tune of Rs.129,409/- (Rs.83,538) out of purchases of motors & alternators produced by the company.

Nil Nil

### 5. VALUE OF IMPORTS CALCULATED ON CIF BASIS

I.	Raw Materials	301,993	11,916
II.	Components and Spare parts	22,426	213,927
III.	Capital Goods	20,677	967

### 6. EXPENDITURE IN FOREIGN CURRENCY

On account of foreign travel and others 4,452 2,454

### 7. REMUNERATION TO AUDITORS\*

I	For Audit	600	600
II	For Taxation matters	600	400
III	For Certification work etc.	300	300
IV	For Management Services & Others	250	385
V	Cost Audit Fees	150	50
TOTAL		1,900	1,735

\* Excludes out of pocket expenses of Rs.0.15 million (Rs. 0.11 million)

### 8. EXPENDITURE ON RESEARCH AND DEVELOPMENT EXPENSES

Revenue 2,134 1,950

### 9. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, STORES, SPARES PARTS AND COMPONENTS CONSUMED AND PERCENTAGE OF EACH TO THE TOTAL CONSUMPTION:

Value of imported raw materials, stores, spares parts & components consumed	12.89%	374,128	12.41%	283,609
Value of indigenous raw materials, stores, spares parts & components consumed	87.11%	2,528,139	87.59%	1,998,007
TOTAL	100%	2,902,267	100%	2,281,616

### 10. CONSUMPTION OF MAJOR RAW MATERIALS AND COMPONENTS

(Rs. In 000's)

	Unit	Current Year		Previous Year	
		Qty	Value	Qty	Value
Copper (Wires, strips, rods, sheets, etc.)	MT	1,495	584,832	1,169	426,591
Iron and steel (pig iron, rounds, plates, sheets, etc.)	MT	6,808	450,287	6,454	355,210
stampings and laminations					
Others		(*)	1,867,148	(*)	1,499,815
TOTAL			2,902,267		2,281,616

NOTES: 1. In the presentation of data, necessary adjustments have been made for normal shortages and excesses in stock including process losses during conversion of raw material.  
2. (\*) Only money value furnished, as the items are numerous and it is not possible to furnish quantitative particulars thereof.  
3. Above data is as certified by the management

11. CAPACITIES AND PRODUCTION

Class of Goods		Capacities		
		Licensed #	Installed @	Production
Motors/Alternators/ Generators	MW	2,806 *	2,806 *	1,695 (1,667)
F.H.P. Motors	No.	21,600 +	21,600 +	11,330 (9,877)
Electricity generated using wind energy	Units			619,640 (1,360,200)
Traction Equipment *	No.			- (8)
Engines	No.			1,517 (114)

Notes:

@ As certified by a Management

# Standing in the name of KECL from whom the running business of RMG has been taken over

\* On maximum utilization

+ On single shift

12. OPENING AND CLOSING STOCK OF FINISHED GOODS

(Rs. in 000's)

Class of Goods	Opening Stocks		Closing Stocks	
	Qty.	Value	Qty.	Value
Motors/Alternators/ Generators (Including FHP Motors)	1,487 (2,827)	47,731 (50,373)	2,193 (1,487)	64,866 (47,731)
Others		6,448 (1,983)		- (6,448)
TOTAL		54,179 (52,356)		64,866 (54,179)

13. DETAILS OF SALES

(Rs. in 000's)

Class of Goods	Turnover of Finished Goods *			
	Current Year		Previous Year	
	Qty.	Value	Qty.	Value
Motors/Generators/Alternators (Including FHP Motors)	120,679	4,259,861	113,873	3,636,654
Traction Equipment	-	-	8	786
Electricity (In Units)	619,640	3,093	1,360,200	5,373
Engines	1,517	214,457	114	18,693
Others (Including Components of alternators)		198,488		161,226
TOTAL		4,675,899		3,822,732

Note: \* Quantity in numbers includes transfers to divisions for further manufacture and free replacements.

14. a. Certain assets and liabilities of the Company including consents/approvals from various regulatory authorities continue to remain in the name of KECL. Necessary action is being taken in the matter.
- b. All motors, alternators and components thereof manufactured by the company are sold to/ manufactured for KECL under contract manufacturing/ subcontracting arrangements entered into. The arrangements entered into envisages a sale price for the company based on the ultimate sales value of KECL for sale of motors and alternators from its customers minus a mark down to take care of its estimated branch and distribution network costs. KECL also has back to back claims against the company for all shortfalls in realization from its customers (liquidated damages, freight, disallowances, warranty claims, other losses etc). In respect of sales of spare parts and parts of diesel generators, a mutually agreed price is charged by KSL to KECL..

## KAYTEE SWITCHGEAR LIMITED

15. The Company has filed before the honorable high court of Karnataka a scheme of amalgamation of it with Kirloskar Electric Company Limited. In terms of the said scheme, the appointed date is 1<sup>st</sup> April 2007. The share holders and the creditors of the Company have approved the said scheme in meetings held in terms of the directions of the honorable court. In terms of the said scheme, all the profits and losses of the Company from the appointed date till the date the requisite approvals are received and the scheme takes effect will be to the account of Kirloskar Electric Company Limited. Pending receipt of necessary approvals, no effect has been given to the said scheme in the financial statements for the year 2007-2008.
16. Sundry Advances include Rs. 82.276 million (previous year Rs.26.38 million) being rescheduled advances from certain companies. The management is confident of recovering these dues and no provision is considered necessary. Some of these companies have incurred losses and their net worth has been eroded.
17.
  - a. Sundry debtors include Rs.859.076 million (Rs. 724.359 million) due from KECL.
  - b. Other Liabilities include Rs. 300.950 million (Rs.136.740 million) due to KECL
  - c. Sundry debtors include Rs. Nil million (Rs.23.980 million) due from a private limited company in which a director of the Company is interested.
18. The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.288.16 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
19.
  - a. Confirmation of balances from certain sundry creditors, debtors, deposit accounts, loans and advances, borrowings is awaited from certain parties. Accounts of certain loans and advances, deposits, banks, collector of customs, creditors, parent company etc are under review and reconciliation. Provision for doubtful debts and advances has been made to the extent ascertained. Adjustments, if any will be made on completion of review / reconciliation. Effect on revenue is not expected to be material as per management.
  - b. In view of the back to back claims available to KECL in respect of shortfall in realizations as detailed in Note 14 above, provision for doubtful debts / disallowances have been made based on advices received from KECL. Further provision required, if any will be made as and when advices are so received from KECL/ completion of review and reconciliation by it.
20.
  - a. The accounts of one of the units of the Company have been maintained on SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
  - b. The company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the said standard.
21. Prior period income / expenditure (including those relating to the period when the units of the Company were part of KECL) has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
22. The company has not paid any remuneration to its Whole Time Director during the year since same is drawn in the holding company Kirloskar Electric Company Limited.
23. **DISCLOSURES AS PER ACCOUNTING STANDARD 15 “EMPLOYEE BENEFITS”**

Defined Contribution Plan:

**Contribution to defined contribution plan recognised as expense for the year is as under:**

	Current Year (Rs. 000's)
Employer's contribution to provident & pension funds	23,279
Employer's contribution to superannuation fund	5,203

Defined Benefit Plan:

The employees' gratuity fund 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. The obligation for leave encashment is recognised in the same manner as gratuity.

**1. Reconciliation of opening and closing balances of Defined Benefit obligation:**

(Rs. in 000's)

	Gratuity (Funded)	Leave (Unfunded)
Defined Benefit obligation at beginning of the year	120,186	22,539
Current Service Cost	6,434	5,213
Interest Cost	9,615	1,758
Actuarial (gain)/ loss	(15,419)	(1,668)
Benefits Paid	10,313	2,192
Defined Benefit obligation at end of the year	141,341	25,650

**2. Reconciliation of opening and closing balance of fair value of plan assets:**

(Rs. in 000's)

	Gratuity (Funded)	Leave (Unfunded)
Fair value of plan assets at beginning of the year	16,913	–
Expected return on plan assets	1,966	–
Employer Contribution	29,614	–
Benefits paid	10,313	–
Fair value of plan assets at year end	38,180	–

**3. Reconciliation of fair value of assets and obligations:**

Fair value of plan assets	38,180	–
Present value of obligation	141,341	25,650
Amount recognised in Balance Sheet	103,161	25,650

**4. Expense recognised during the year:**

(under "Schedule – K" Operating & Other expenses of the Profit and Loss account)

Current Service Cost	6,434	5,213
Interest Cost	9,615	1,758
Expected return on plan assets	1,966	–
Actuarial (gain)/ loss	(15,419)	(1,668)
Net Cost	29,502	5,303

**5. Actuarial assumptions:**

Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. Previous year figures have not been furnished since AS 15 (Revised) has been implemented for the first time.



## KAYTEE SWITCHGEAR LIMITED

### 24. RELATED PARTY DISCLOSURE:

NAME OF THE RELATED PARTY	RELATIONSHIP
Kirloskar Electric Company Limited Mr. Vijay R. Kirloskar Mr. P. S. Mallik Mr. L G Madhusudhan Mr. G.M Prabhu Ms. Janaki Kirloskar Mrs. Meena Kirloskar Ms. Rukmini Kirloskar	Parent Company Key management personnel of Company and/or its parent company and relatives of Key Management personnel.
KEASI Robicon Industrial Systems Private Limited Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures of parent company
Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Keerthi Investments and Agencies Pvt Ltd. Kirloskar Power Equipement Limited	Enterprises over which key management personnel and their relatives are able to exercise significant influence

#### Details of transactions:

(Rs. In 000's)

Nature of transactions	Parent Company	Key management personnel and their Relatives	Associates and joint ventures of Holding company	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	<b>185,452</b> (77,848)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>84,888</b> (77,219)
Purchase of Fixed Assets	<b>976</b> (600)	<b>Nil</b>	<b>Nil</b>	<b>1,197</b> (-)
Sale of goods	<b>4,474,318</b> (3,658,360)	<b>Nil</b> (Nil)	<b>30,355*</b> (10,108)*	<b>18,185*</b> (28,200)*
Amount due to Company as at 31.3.2008	<b>859,076</b> (724,359)	<b>2,700</b> (2,700)	<b>18,992*</b> (3,041)*	<b>88,892</b> (64,375)
Amount due by Company as at 31.3.2008	<b>300,950</b> (136,740)	<b>125</b> (125)	<b>Nil</b> (Nil)	<b>23,327</b> (7,106)
Remuneration including sitting fees	<b>Nil</b>	<b>5,774</b> (4,695)	<b>Nil</b>	<b>Nil</b>
Rent Received	<b>385</b> (13)	-	-	-
Rent Paid	<b>1,200</b> (1,200)	<b>1,500</b> (1,340)	<b>Nil</b>	<b>10,750</b> Nil

\* Includes through KECL

Note: KEC North America Inc has been dissolved during the year. Approvals from Reserve Bank of India for write off of dues are awaited. 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.

25 . SEGMENT REPORTING

The Company operates in only one business segment (rotating machines group). The revenue from sale of goods outside India (made through KECL) is not a significant percent of the total turnover. In the circumstances, segment information required by Accounting Standard 17 issued by the Institute of Chartered Accountants of India, has not been furnished.

26. EARNINGS PER SHARE

Basic & Diluted:		Current Year	Previous Year
<b>Profit after extraordinary items</b>			
Profit as per Profit and Loss Account after tax	(Rs. In 000's)	<b>271,182</b>	141,216
Less: Preference dividend including dividend tax	(Rs. In 000's)	<b>9,969</b>	9,969
Net profit available for equity share holders		<b>261,213</b>	131,247
Weighted Average Number of shares outstanding	No.	<b>27,010,200</b>	27,010,200
Earning Per Share	Rs.	<b>9.67</b>	4.86
Face Value Per share	Rs.	<b>10</b>	10
<b>Profit before extraordinary items</b>			
Profit as per Profit and Loss Account before extraordinary items but after tax	(Rs. In 000's)	<b>269,576</b>	58,192
Less: Preference dividend including dividend tax	(Rs. In 000's)	<b>9,969</b>	9,969
Net profit available for equity share holders		<b>259,607</b>	48,223
Weighted Average number of shares outstanding		<b>27,010,200</b>	27,010,200
Earning Per Share	Rs.	<b>9.61</b>	1.79

27. FINANCE LEASES:

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

(Rs In 000's)

Particulars	Total minimum lease payments outstanding as at	Future interest on outstanding Lease Payments 31.03.2008	Present value of minimum lease payments as at 31.03.2008 *
Within One year	6,135	2,938	3,197
Later than one year but not later than five years	31,287	7,695	23,592
<b>TOTAL</b>	<b>37,422</b>	<b>10,633</b>	<b>26,789</b>

\*Excludes advance payments made for assets to be taken on finance lease amounting to Rs.3,129 (in 000's), for which repayment schedule is yet to be finalized by the lessor.

28. The company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.23,214 (Rs.12,254).

29. DEFERRED TAX CALCULATION:

(Rs in 000's)

	As at 31.03.2008	As at 31.03.2007
Liability relating to timing difference on account of value of fixed assets	<b>221,387</b>	229,052
Asset relating to Disallowance under section 43B of Income Tax Act, 1961 and unabsorbed depreciation under the Income tax Act , 1961.(Recognized only to the extent of net liability)	<b>221,387</b>	229,052
<b>Net amount</b>	<b>Nil</b>	Nil

**KAYTEE SWITCHGEAR LIMITED****30. DETAILS OF PROVISIONS**

Rs in 000s

Particulars	Warranty Claims	Leave
Balance outstanding at the beginning of the year	16,560	18,217
Provision for the year	2,533	9,625*
Benefits paid	-	2,192
Balance outstanding at the end of the year	19,093	25,650

\* Includes Rs.4,322 (in 000's) in terms of transitional provisions of AS -15 (Revised).

31. There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:

Particulars	As at 31.03.2008
Assets (Receivables)	907
Liabilities (Payables)	1,984

32. Figures have been rounded off to the nearest thousand rupees as permitted. The previous year figures have been regrouped and recast in order to be in conformity with current year figures wherever necessary.

As per our report of even date

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

**CA SHYAM RAMADHYANI**  
Partner

For and on behalf of the Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**Y. VENKATESH**  
Company Secretary

**P. S. MALIK**  
President & CEO

**L.G. MADHUSUDAN**  
Director

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)

Place : Bangalore

Date : 27th June 2008

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2008**

**SCHEDULE "N"**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I REGISTRATION DETAILS**

REGISTRATION No.   
 BALANCE SHEET DATE   
 STATE CODE

**II. CAPITAL RAISED DURING THE YEAR (RUPEES IN THOUSANDS)**

**PUBLIC ISSUE**

**BONUS ISSUE**

**RIGHTS ISSUE**

**PRIVATE PLACEMENT**

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES IN THOUSANDS)**

**TOTAL LIABILITIES**

**SOURCES OF FUNDS**

**PAID UP CAPITAL**

**SECURED LOANS**

**TOTAL ASSETS**

**RESERVES & SURPLUS**

**UNSECURED LOANS**

**APPLICATION OF FUNDS**

**NET FIXED ASSETS**

**NET CURRENT ASSETS**

**CAPITAL WORK IN PROGRESS**

**ACCUMULATED LOSSES**

**IV. PERFORMANCE OF COMPANY (RUPEES IN THOUSANDS)**

**TURNOVER (INCLUDING OTHER INCOME)**

**PROFIT BEFORE TAX**

**EARNING PER SHARE IN RS. (AFTER TAX)**

**TOTAL EXPENDITURE**

**PROFIT AFTER TAX**

**DIVIDEND RATE %**

**V. GENERIC NAMES OF THREE PRINCIPLE PRODUCTS/SERVICES OF COMPANY**

ITEM CODE NO. (ITC CODE)

PRODUCT DESCRIPTION

ITEM CODE NO. (ITC CODE)

PRODUCT DESCRIPTION

ITEM CODE NO. (ITC CODE)

PRODUCT DESCRIPTION





**KIRLOSKAR ELECTRIC COMPANY LTD.,**  
P.B. No. 5555, Malleswaram West, Bangalore - 560 055.