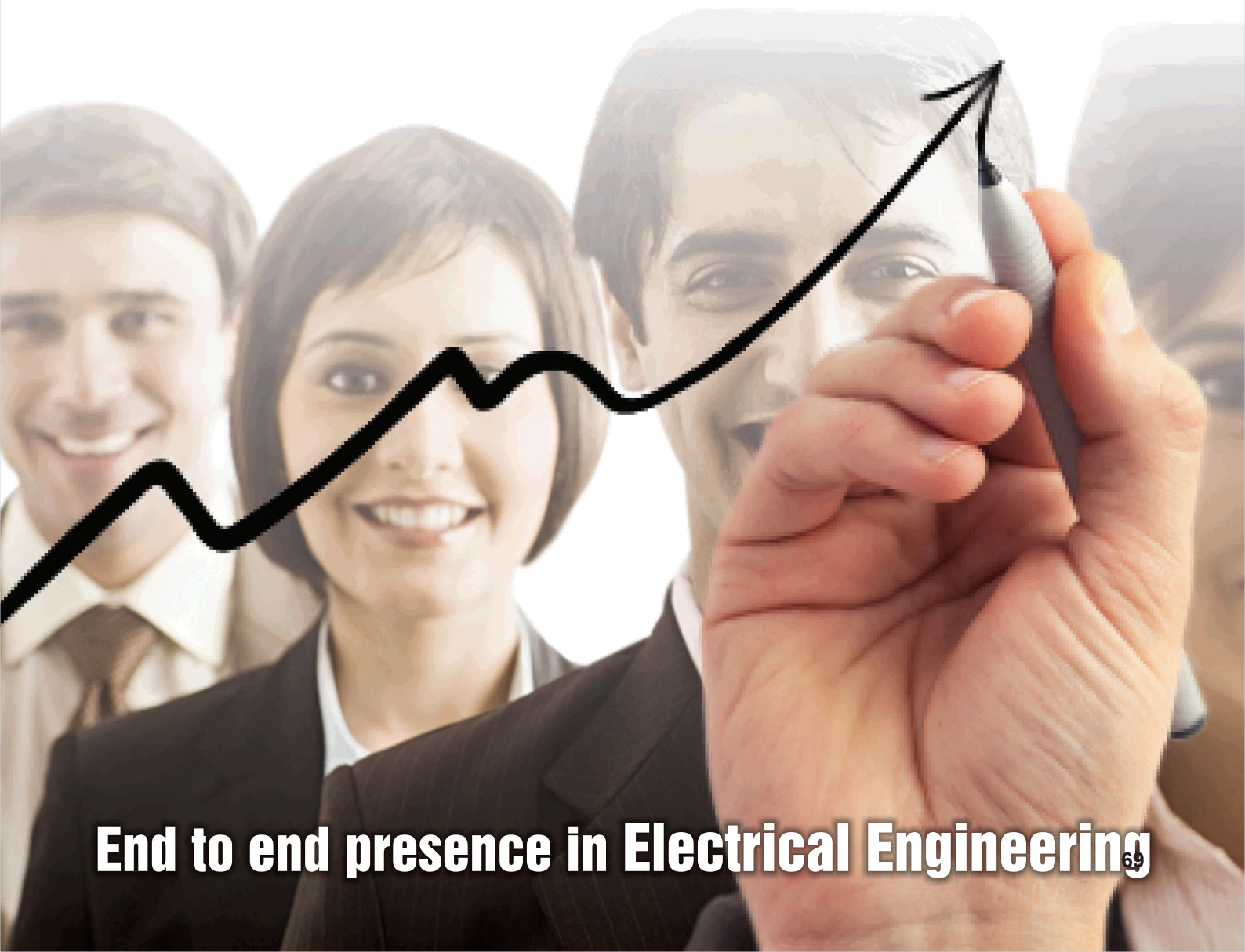


KIRLOSKAR ELECTRIC COMPANY LTD.

# 65<sup>th</sup> ANNUAL REPORT

2011 - 2012  
( ABRIDGED )



**End to end presence in Electrical Engineering**



# KIRLOSKAR ELECTRIC COMPANY LIMITED

## BOARD OF DIRECTORS

Vijay R. Kirloskar  
Chairman & Managing Director

Anuj Pattanaik  
Deputy Managing Director

A.S. Lakshmanan

S.N. Agarwal

Anil Kumar Bhandari

Sarosh J Ghandy

V.P.Mahendra

Kamlesh Gandhi

Berthold Groeneveld

D.Devender Singh  
LIC Nominee

Meena Kirloskar

## VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

P.Y.Mahajan

## AUDITORS

B.K.Ramadhyan & Co.  
Bangalore

## BANKERS

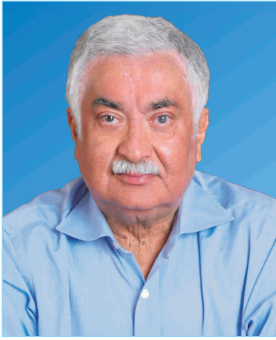
Axis Bank  
Bank of India  
ICICI Bank Ltd  
State Bank of Hyderabad  
State Bank of Mysore  
State Bank of Travancore  
Bank of Commerce, Kuala Lumpur (Malaysia)

## REGISTERED OFFICE

Industrial Suburb, Rajajinagar  
Bangalore 560 010

## FACTORIES

Govenahalli, Thyamagondlu, Bangalore  
Gokul Road, Hubli  
Belvadi Industrial Area, Mysore  
Kachenahalli, Bangalore  
Hirehalli, Tumkur  
Tumkur Road, Bangalore  
Gabbur, Hubli  
Kondhapuri, Pune  
Nagar Road, Pune  
Jaladulagarh, Kolkatta



**Dear Fellow Shareholders,**

I am glad to present you the Annual Report for the year 2011-12. As you would see, during the year under review, your Company has achieved turnover of Rs.871.74 crores up from turnover of Rs.823.87 crores in 2010-11, with profit after tax of Rs.9.57 crores as against Rs. 2.11 crores in 2010-11.

The overall growth was possible on account of concerted efforts at reducing non productive costs and continuous monitoring and improvement of efficiencies of the operating processes and procedures.

We continue to put in efforts to shore up our efficiencies, by improving Inventory Management, reducing procurement prices for raw materials, improving turnaround time for order booking, improving quality policies and practices and by optimizing generally all other costs, so as to be competitive.

Power supply continues to be a basic issue for India today. With large deficit continuing, the Country has ambitious plans to produce more and more power. This includes Power Generation, Transmission & Distribution. All these areas are being progressively liberalized for private investment. Power sector will be our major customer for Transformers and allied products. We are progressively going for both higher capacity and higher kV class ratings in Power Transformers.

Nuclear Power sector is on the rise in India and India now envisages increasing the contribution of nuclear power to overall electricity generation capacity. As you are aware we are manufacturing special Motors for Nuclear Power Corporation of India.

We would also benefit from the huge investment that is going to be made in Infrastructural sector.

We have also been increasing supply of propulsion systems for the Electric Cars made by Mahindra Reva.

We have initiated several measures across board – cutting costs, reducing overheads and taking an overall disciplined approach, rationalizing and streamlining operations to enhance efficiency. The sales organization has been recast to enhance the Company's reach and our product lines are being aligned for market demand and profitability. We are laying more stress on performance today than ever before and likewise we are more proactive now than before.

We are trying to reach the customers in every nook and corner of the Country and for the purpose expanding our reach and service network.

We are also looking at increasing our presence in foreign markets.

With the implementation of SAP across all our manufacturing units we have benefitted from the synergies of a common platform for a smooth operation across the organization.

We are more confident today to take the future. We are well poised and prepared to shape our future by –coordinated strategy. By our technology and well spread coordinated team work we will meet our customer aspirations as the markets evolve having challenging demands on us. The global business scenario is hazy but having focused on high growth areas and extending the portfolio of our customers and by exploiting our strengths and by diversifying we will be strengthening our position in the market place.

I am sure with the efforts being put in your Company will take its rightful place in the Industry.

Your Company continues to be led by strong and motivated human resources. The Company believes in training and development of its employees for improving their skills, keeping them abreast of the evolving international technologies, to meet the emerging challenges in the market place and rising customer expectations. We are focused on development of managerial skills to ensure availability of top class talent to meet the ambitious growth and expansion plans of the Company.

On behalf of the management team, I wish to reiterate that we will do all that which is required to meet the expectations of all stakeholders and the community we live in.

**Vijay R Kirloskar**  
Chairman

**NOTICE**

NOTICE is hereby given that the SIXTY FIFTH ANNUAL GENERAL MEETING of the Members of KIRLOSKAR ELECTRIC COMPANY LIMITED will be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003 on Thursday, the 9<sup>th</sup> August, 2012 at 10.00 A.M. to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2012 together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Berthold Groeneveld, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
3. To appoint a Director in place of Mr. D.Devender Singh, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
4. To appoint a Director in place of Mrs. Meena Kirloskar, who retires by rotation. Being eligible, she has conveyed her intention in writing to seek re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s. B K Ramadhyani & Co., Chartered Accountants, Bangalore (Registration No.002878S) and M/s. Sundar & Associates, Chartered Accountants, Selangar Darul Ehsan, Malaysia, are the retiring Auditors.

**SPECIAL BUSINESS**

6. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:  
RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act and Schedule XIII thereto and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the revision of the remuneration payable to Mr. Anuj Pattanaik, Dy.Managing Director with effect from 4<sup>th</sup> August 2011, for a period of three years i.e. upto 3<sup>rd</sup> August 2014 with the remuneration and terms and conditions as set out in the explanatory statement with liberty to the Board of Directors to vary and alter the terms and conditions, provided, however, that the remuneration and perquisites payable to the said Mr.Pattanaik shall not exceed the limits specified in Schedule XIII to the Act.  
RESOLVED FURTHER THAT pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals as may be necessary, the minimum remuneration as set out in the Explanatory Statement be paid to Mr. Anuj Pattanaik, in the event of loss or inadequacy of profit in any financial year during the term of his office.
7. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the continuance of Ms. Rukmini Kirloskar, daughter of Mr. Vijay R Kirloskar, Chairman & Managing Director and Mrs.Meena Kirloskar, Director of the Company as an Executive of the Company from 7<sup>th</sup> July, 2012 on a remuneration of ₹ 41,935 per month together with the usual allowances and benefits, amenities and facilities including contribution to staff superannuation fund, retiring gratuity and provident fund benefits applicable for salary paid to her.
8. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an Ordinary Resolution:  
RESOLVED THAT pursuant to the provisions of section 293(1)(e) of the Companies Act, 1956 and the rules made thereunder, the donation of ₹1,50,00,000 (Rupees one crore and fifty lakhs only) made by the Company to Kirloskar Electric Charitable Trust during the year 2011-12, notwithstanding the fact that the said amount exceeded the greater of ₹50,000 or 5% of the Company's average net profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, as required, be and is hereby approved and ratified.

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

Bangalore,  
Date : May 28, 2012

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

### NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is annexed hereto.
- (c) Documents relating to any of the items mentioned in the Notice and the Explanatory Statement thereto, are open for inspection at the Registered Office of the Company on any working day during business hours.
- (d) Members requiring information on the accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
- (e) Members holding shares either singly or jointly in identical order in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one folio.
- (f) Members are requested to notify immediately of any change in their address to the Company. Members holding shares in the electronic form are advised to notify any change in their address to the concerned depository participants.
- (g) Pursuant to Section 205 A of the Companies Act, 1956, unpaid dividend for the financial year upto 31.3.1998 has been transferred to the Investor Education and Protection Fund. The Company has not declared any dividend thereafter.
- (h) Members desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109 A of the Companies Act, 1956, are requested to submit the prescribed Form 2B duly completed to the Secretarial Department of the Company.
- (i) As the members would be aware, the Ministry of Corporate Affairs has confirmed that sending of various notices/documents by a company to its shareholders through electronic mode is permissible. This move by the Ministry is highly welcome. Keeping in mind the underlying idea the Company would henceforth like to send the various notices/documents, including the notices calling meetings, Annual Reports – Balance Sheet, Profit & Loss Account, Auditors Report, Directors' Report, etc., to its shareholders through Electronic mode at their e-mail addresses. This is to request the members to register their e-mail addresses and changes therein from time to time, with the Company by communicating at the following email address: [sna@vrkec.com](mailto:sna@vrkec.com) or at [kecshares@vrkec.com](mailto:kecshares@vrkec.com). Kindly quote your Registered Folio No./Client ID – DP ID, while conveying the email address. In case the members are agreeable to receive the various documents from the Company in Electronic Mode henceforth, please inform us.

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

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

A. Mr. Berthold Groeneveld, a graduate electrical engineer of the University of Bremen (Hochschule für Technik) who is 64 years of age, is the Managing Director of Lloyd Dynamowerke GmbH & Co, KG (LDW) in Bremen, Germany. LDW, a former AEG-Company, manufactures since 1915 electrical machines and is world wide well known supplier of special machines for nearly every kind of industry. The products of LDW include small dc-machines with 10 KW as well as large ac-machines as propulsion motors for cruise ships with a weight of nearly 200 tons.

Mr. Groeneveld is member of the advisory board for drives at the ZVEI (German central association of electrical industry) and vice president of the ZVEI for Bremen and Lower Saxony. He is a judge in the Labour Court of Bremen and member of the industrial training commission at the trade chamber of Bremen. For the trade chamber also he is member of the board for career advancement of high potential apprentices and member of the commission for arbitration.

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

He is a director of the following companies:

Lloyd Dynamowerke GmbH & Co, KG

DFMRS – German research company for measurement and control engineering

IQ – Intelligent Qualification

B. Mr. D.Devender Singh, a post graduate in Business Administration (Marketing) who is 57 years of age, joined Life Insurance Corporation of India as officer. He has held various positions in Marketing, Information Technology and Training Departments. He was Executive Director Health Insurance before taking charge as Zonal Manager, South Central Zone in April 2008 taking care of two states i.e. Andhra Pradesh and Karnataka. He represented LIC for various conferences on IT and Marketing, held in Japan, USA and Singapore.

Mr. D.Devender Singh is holding 500 equity shares of the Company.

- C. Mrs. Meena Kirloskar, who is 56 years of age, is a graduate in Hotel Management. She has been the Chairperson and Managing Director of Ravindu Motors Pvt. Ltd - franchisee for Toyota Kirloskar Motors, since January, 2000. Mrs. Kirloskar is also a member of Toyota Dealers Council since 2006.

Mrs. Meena Kirloskar is holding 95360 equity shares of the Company.

She is a director of the following companies:

Vijay Farms Private Limited

Sri Vijayadurga Investments & Agencies Private Limited

Vijayjyothi Investments & Agencies Private Limited

Abhiman Trading Company Private Limited

Vijaykirti Investments & Agencies Private Limited

Vimraj Investments Private Limited

Ravindu Motors Private Limited

- D. The share transfer books and Register of Members of the Company will remain closed from Thursday, the 2<sup>nd</sup> August, 2012 to Thursday, the 9<sup>th</sup> August, 2012 (both the days inclusive).

**ANNEXURE TO THE NOTICE**

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

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

**1. Item No .6 of the Notice**

The Board of Directors appointed Mr.Anuj Pattanaik as the Dy.Managing Director of the Company vide their resolution dated 23<sup>rd</sup> September 2010. The terms of remuneration of Mr. Anuj Pattanaik were confirmed by the Members vide their resolution dated 3<sup>rd</sup> August 2011. Subsequently the Board of Directors, at their meeting held on 3<sup>rd</sup> August 2011 revised the remuneration payable to Mr.Pattanaik w.e.f. 4<sup>th</sup> August 2011 for a period of three years i.e. upto 3<sup>rd</sup> August 2014 on the terms and conditions given below. The revision has been made as per the Government General Circular No. 46/2011 dated 14.07.2011 about the payment of remuneration to professional managerial person.

The Directors have taken into account Mr.Pattanaik's education, experience and the ability of the Company and the remuneration earlier paid to Mr.Pattanaik, industry level and the existing and expected performance of the Company, while approving the revision.

The terms of remuneration payable to Mr. Anuj Pattanaik, approved by the Board of Directors are as under :

**I. SALARY**

Salary of ₹ 5.94 lakhs (Rupees five lakhs ninety four thousand only) per month with power to the Board of Directors to revise and fix the salary from time to time, upto a sum not exceeding ₹ 7.43 lakhs (Rupees seven lakhs forty three thousand only) per month.

**II BONUS**

Bonus of upto ₹50 lakhs (Rupees fifty lakhs only) a year, as may be determined by the Board of Directors from time to time.

**III PERQUISITES**

In addition to Salary and Bonus, Mr. Anuj Pattanaik will be entitled to the following perquisites :

a. Residential Accommodation :

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

b. Medical Reimbursement :

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

c. Leave Travel Allowance:

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

d. Personal Accident Insurance :

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

e. Leave :

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

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

f. Car :

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

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

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

h. Provident Fund etc.

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

i. Gratuity :

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

## Entertainment Expenses

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

### Explanation :

Wherever the context demands, 'family' means the spouse, dependant children and parents.

Perquisites shall be evaluated as per Income Tax Act and Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost.

## MINIMUM REMUNERATION

A) Where in any financial year during the currency of tenure of the appointment, the Company has no profits or its profits are inadequate, salary of ₹ 5.94 lakhs (Rupees five lakhs ninety four thousand only) per month with all above perquisites shall be payable to Mr. Pattanaik as minimum remuneration.

B) Entertainment Expenses

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

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

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

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

The Company has investments in the following companies abroad :

Kirloskar (Malaysia) SDN BHD	₹5.29 lakhs for 3,00,000 shares
Kirloskar Kenya Ltd.	₹8.52 lakhs for 1272 shares
Kirsons Trading Pte.Ltd.	₹11.20 lakhs for 56250 shares
KEC North America Inc, USA	₹129.36 lakhs for 210 common stock.
Kirsons B.V.	₹12648.12 lakhs for 1583 shares

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

The Company has achieved a profit of ₹95.7 million for the year 1.4.2011 to 31.3.2012 on a turnover of ₹ 8717.40 million. The profit for the year 1.4.2010 to 31.3.2011 was ₹ 21.1 million. The Company's exports for the year 1.4.2011 to 31.3.2012 were at ₹698.5 million. The exports for the year 1.4.2010 to 31.3.2011 were at ₹ 641.2 million

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

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

## Government Approval

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

The Board recommends the Resolutions for approval by the members.

### 2. **Item No .7 of the Notice**

Under section 314 of the Companies Act, 1956, a special resolution is required if any relative of a Director of a company is to hold any office or place of profit under the Company drawing remuneration beyond the stated limit. Under a Special Resolution passed by the Members of the Company at the Annual General Meeting held on 24<sup>th</sup> September 2009, Ms. Rukmini Kirloskar who is daughter of Mr.Vijay R Kirloskar, Chairman & Managing Director and Mrs.Meena Kirloskar, Director of the Company, has been appointed as an Executive in the Company, on remuneration and other terms and conditions, as per the resolution passed. The period of approval comes to end on 6.7.2012. It is proposed to continue Ms.Rukmini Kirloskar in employment further and the Board of Directors at their meeting held on 28<sup>th</sup> May, 2012 have decided to pay her remuneration of ₹41,935 per month - i.e. ₹5,99,996 per annum.

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

The remuneration is being fixed for a period of three years w.e.f. 7<sup>th</sup> July 2012. The remuneration will be re-fixed thereafter.

The appointment will be from 7<sup>th</sup> July, 2012, till 57 years of age, like for other employees.

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

The Board recommends the Resolution for approval by the members.

### 3. **Item No .8 of the Notice**

During the year 2011-12 the Company donated ₹ 1,50,00,000 (Rupees one crore and fifty lakhs only) to Kirloskar Electric Charitable Trust. The Trust runs Ravi Kirloskar Memorial Hospital (RKMH) at Peenya, Bangalore which provides medical facilities at low rates. The employees of the Company also avail of the services provided at the Hospital.

In terms of section 293(1)(e) of the Companies Act, 1956, the Board of Directors of a public company cannot, except with the consent of its the company in general meeting, contribute to charitable and other funds not directly relating to business of the company or the welfare of its employees, during any financial year, exceeding ₹50,000/- (Rupees fifty thousand only) or 5% (five percent) of the company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act, during the three financial years immediately preceding, whichever is greater. The amount donated is beyond the limit laid down.

The Board of Directors of the Company, at its meeting held on 28<sup>th</sup> May 2012 have approved and ratified the payment of donation made to Kirloskar Electric Charitable Trust, further deciding to obtain approval of shareholders thereto.

Mr.Vijay R Kirloskar, Managing Director and Mrs.Meena Kirloskar, Director are Trustees of Kirloskar Electric Charitable Trust.

The Resolution at Item No. 8 of the Notice seeks ratification of the action of the Board in donating the amount to the Trust.

Except Mr. Vijay R Kirloskar and Mrs.Meena Kirloskar, none of the other Directors of the Company is in any way concerned or interested in the said Resolution.

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

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

Bangalore,  
Date : May 28, 2012

**DIRECTORS' REPORT**  
**TO THE SHAREHOLDERS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

To

The Shareholders

Your Directors present the Company's 65<sup>th</sup> Annual Report with the Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2012.

**Results of Operations**

₹ in million

	2011-12	2010-11
Income	8717.4	8238.7
Expenditure	6558.6	6330.9
Gross Profit	2158.8	1907.8
Operating expenses	1548.6	1444.4
Operating Profit before interest and depreciation	610.2	463.4
Interest	383.0	317.1
Depreciation, amortisation and provisions	183.9	161.9
Operating profit before tax and extraordinary items	43.3	(15.6)
Other income (net)	57.6	36.9
Net profit before tax and extraordinary items	100.9	21.3
Extraordinary Income (Expenditure)		
Net profit before tax and after extraordinary items	100.9	21.3
Provision for taxation	5.2	0.2
Net profit after tax and after extraordinary items	95.7	21.1

**Company Performance**

During the year under report, your Company has achieved a turnover (Gross) of Rs. 8.72 billion (previous year Rs. 8.24 billion). The operations have resulted in a net profit of Rs.95.7 million (previous year Rs. 21.1 million).

**Industry Outlook**

Indian Economy performed relatively well against the backdrop of weak global atmosphere. Global economies appear to be going through a phase which is having greater share of volatility than that of stability. There are signs of inertia in Indian Economy as well. Your Company has taken several steps to mitigate the impact of this, rather to have better results by stress upon actions oriented towards goals and performance which should enable the Company to do well, barring unforeseen circumstances.

**Appropriations**

**Dividend**

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

**Subsidiary – Kirsons B.V.**

The operations of Kirsons B.V., your subsidiary have resulted in net loss of Euro 0.071million.

**Subsidiary Companies**

The Company as of March 31, 2012 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries - Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary companies for the year ended 31<sup>st</sup> March, 2012 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statement presented by the Company includes financial information about its subsidiaries.

**Environment, Safety and Energy Conservation**

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

**Particulars of Employees**

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of specified employees are set out in the Annexure to the Directors Report. However having regard to the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all members of the Company, excluding the aforesaid information. Any member interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company.

## Corporate Governance

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

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

These annexures form part of this report.

## Directors

Mr. Berthold Groeneveld, Mr. D. Devender Singh and Mrs. Meena Kirloskar 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 Directors have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2012 and of the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2012.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

## Human Resources

The Company considers its employees as its most valuable asset. Employees at all levels have put in their best to the services of the Company and the Board puts on record the sincere appreciation of their dedication and loyalty. The Company focuses on building an organization through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

## Segmentwise Operational Performance

### Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to Rs. 6356.60 million as against Rs. 6401.65 million in 2010-11.

### Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to Rs. 4636.97 million as against Rs. 4646.76 million in 2010-11.

### Others

During the year under review the sale of other Electrical Products amounted to Rs. 691.67 million as against Rs. 535.90 million in 2010-11.

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

As you are aware the Company holds approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholding in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG, Germany is a limited partnership existing in accordance with the laws of Germany which owns an electrical machine manufacturing plant at Bremen, which is being operated by the said limited liability firm. During the year ended 31<sup>st</sup> March, 2012 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 33.333 ( Rs.222 crores ) { Previous year -Euros 43.509 million (Rs.263 crores)} with a net loss after tax of Euros 0.550 million ( Rs.3.10 crores ) {Previous year net profit Euros 1.270 million (Rs.9.06 crores)}.

## AUDITORS' REPORT

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

### Para 10(i) of the Auditors' Report

The Company has sought written confirmation from all its vendors to let us know if they are either micro, small or medium enterprises. Once these details are updated, particulars of dues to micro, small and medium enterprises could be ascertained.

### Para 10 (ii) of the Auditors' Report

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

### Para 8 and Para 10 (iii) of the Auditors' Report.

This has no impact on the accounts. The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has from time to time initiated steps to bring the valuation of inventory at all units in line with Accounting Standard –2 (Valuation of Inventory). The relevant details of inventory are available for verification.

**Para 10 (iv) of the Auditors' Report.**

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

**Para 10 (v) of the Auditors' Report**

The Company is confident of realising the amounts due from certain companies referred to therein.

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

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

**Para 2 b of the Annexure to the Auditors' Report**

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

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

During the year, the Company has completed implementation of SAP ECC 6 System at certain units and it will implement it at the remaining units in phased manner in the current year. SAP is an integrated software where all the inventory records are maintained. The company has from time to time taken physical inventory at all locations. Since the valuation of inventory was done on the basis of physical inventory count performed as at 31<sup>st</sup> March 2012, the discrepancies, if any, have been properly dealt with in the books of accounts. The discrepancies were not material in nature.

**Para 5 a of the Annexure to the Auditors' Report**

The Company is in the process of applying to the Central Government to seek its approval in respect of these contracts.

**Para 7 of the Annexure to the Auditors' Report**

The Company appointed an independent reputed professional agency to perform internal audit of operations of the Company. The scope of the internal audit is decided considering the risk assessment carried out by the Company. The internal audit work at several of its plants, branches and offices are at advanced stage of completion and the final report is expected soon.

**Para 9 b of the Annexure to the Auditors' Report**

The Company has made necessary arrangements to pay these dues.

**Auditors**

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

**Fixed Deposits**

12 persons had not claimed repayment of their matured deposits amounting to Rs.5.94 lakhs as at 31<sup>st</sup> March, 2012.

**Acknowledgements**

The Directors takes this opportunity to express its sincere appreciation for the continued support and confidence received from the Company's Bankers, Financial Institutions, Customers, Suppliers, Depositors and Shareholders. Your Directors place on record their appreciation of the efforts of employees at all levels and look forward to their continued support in the future as well.

For and on behalf of the Board of Directors,

Bangalore  
Date : May 28, 2012

**Vijay R Kirloskar**  
Chairman

**CERTIFICATE**

**To the Members of Kirloskar Electric Company Limited**

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited, for the year ended on 31.3.2012 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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

For B K RAMADHYANI & CO.,  
Chartered Accountants  
Firm number: 002878S

Place : Bangalore  
Date : May 28, 2012

CA. C R Krishna  
Partner

**ANNEXURE TO THE DIRECTORS' REPORT**

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

**A. Conservation of Energy:**

- a) Energy conservation measures taken;  
The Company conserves energy by
  - 1) Use of Solar Energy.
  - 2) Improving system power factor.
  - 3) Reduction of maximum demand and restricting the maximum demand to billing demand.
  - 4) Monitoring of energy consumption and further requisite follow-up.
  - 5) Optimum utilisation of high energy consuming electrical equipments like ovens, winding machines.
  - 6) Air-Compressor Pressure is maintained at reduced pressure with fixed timing and air leakages arrested.
  - 7) Borewell and water pumps running is scheduled. Timer maintained to save energy and water.
  - 8) Installation of capacitor panels.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;
  - 1) Implementation of induction brazing processes.
  - 2) Optimization of varnish impregnation process
  - 3) Installation of system to ensure uniform temperature.
  - 4) Energy Conservation Audit through External Audit Agency.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;  
The measures taken by the Company have resulted in optimum usage of energy in terms of units, reducing costs.
- d) Total energy consumption and energy consumption per unit of production  
- Not Applicable

**B. Technology Absorption**

- 1. Research and Development  
Research and Development is undertaken for extending the range of the existing products, lowering costs and process improvements, Indigenisation or alternate sourcing of materials and development of energy efficient products with added features.
- 2. Benefits derived as a result of the above R & D efforts.
  - a. Process improvement resulting in higher production.
  - b. Quality improvement.
  - c. Development of in-house skills for manufacture of high precision products.
  - d. Enhanced design and product capability to achieve customer satisfaction.
  - e. Product range extension to reach newer markets.
  - f. Special motors for vehicle application developed.
- 3. Future plan of action :  
To enhance product performance and for better customer satisfaction, the Company will continue in :-
  - a. Upgradation of existing technology.
  - b. Extension of range of its products.
  - c. Development of new processes.
  - d. Applied research and value engineering.

4. Expenditure on R & D

	(₹ in Lakhs)
Capital	-
Recurring	34.87
	-----
Total	34.87
	=====
Total R & D Expenditure	34.87
as a % of total turnover	0.04

5. Technology Absorption, Adaptation and Innovation
  - a. Efforts made in brief for technology absorption, adaptation and innovation.
    - Training of personnel in-house.
    - Indigenisation of Materials, components and processes.
    - Modification of imported technology to suit the prevailing Indian Market.
  - b. Benefits derived as a result of the above efforts
    - Enhanced Product Range
    - Quality improvement
    - Development of new Products
  - c. Future Plan of Action
    - Upgradation of existing technology
    - Development of new processes
  - d. Technology imported during the last 5 years.
    - A. Technology Imported - Nil
    - B. Has the technology been fully absorbed ? If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action.

-NA -

**C. Foreign Exchange Earnings and Outgo**

- 1 Activities relating to export; initiatives to increase exports; development of new export markets for products and services; and Export Plan;

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth Rs.69.85 crores. The Company's exports are growing steadily.

- 2 Total foreign exchange used and earned.

a) Foreign Exchange earned	(₹ in Lakhs)
(i) FOB value of goods exported (net) of sales within India eligible for export incentives.	6984.58
(ii) Dividend on shares (net of tax)	6.07
(iii) Repatriation of Profit	-
(iv) Others	663.23
b) Foreign Exchange Used	
Value of imports calculated on the CIF basis.	
(i) Raw materials & Components and spare parts.	6528.85
(ii) Capital Goods	226.27

For and on behalf of the Board of Directors

Bangalore  
Date : May 28, 2012

**Vijay R Kirloskar**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

## Report on Corporate Governance

## Company's Philosophy

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

## Board of Directors

The Company is presently having eleven Directors out of which two are Executive Directors, seven Non - Executive – Independent Directors and two Directors are Non-Executive - Non Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 63%.

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

During the financial year, five Board Meetings were held. The meetings were held on 28.5.2011, 3.8.2011, 8.11.2011, 8.2.2012 and 20.03.2012.

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

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

@ as on 31.3.2012- of 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.

During the financial year, the Committee met on 28.5.2011, 3.8.2011, 8.11.2011, 8.2.2012 and 20.3.2012.

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	5	Member
Mr. Anil Kumar Bhandari	4	Member
Mr. Sarosh J Ghandy	5	Member
Mr. V.P. Mahendra	4	Member

**Shareholders/Investors Grievances Committee :**

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 8.2.2012 and reviewed the status of shareholders' grievances, approved share transfers, etc.

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

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

Name of Director	No. of Meetings Attended	
Mr. Anil Kumar Bhandari	1	Chairman
Mr. Vijay R Kirloskar	1	Member
Mr. Anuj Pattanaik	1	Member

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

**Remuneration Committee**

During the year under review, the Committee met on 28.5.2011 and 03.8.2011.

The Remuneration Committee consists of following Directors : -

Mr. S.N. Agarwal	-	Chairman
Mr. A.S. Lakshmanan	-	Member
Mr. Anil Kumar Bhandari	-	Member
Mr. Sarosh J Ghandy	-	Member
Mrs. Meena Kirloskar	-	Member

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

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

**Committee formed to consider and approve the financial results**

The Committee consists of following Directors : -

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

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

**Remuneration Policy**

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

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

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

The number of employees working in the organisation as on 31.3.2012 was 1788.

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

**Executive Directors:**

(₹ in Lakhs)

Name	Salary	Contribution to PF and other Funds	Total Amount
<b>Mr. Vijay R Kirloskar</b> Chairman & Managing Director	108.00	29.16	137.16
<b>Mr. Anuj Pattanaik</b> Dy. Managing Director	81.83*	17.72	99.55

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The Managing Director has been appointed for a period of 5 years w.e.f. 17<sup>th</sup> August, 2010. In case his tenure is determined by the Company prematurely, the Managing Director shall be entitled to compensation as provided under section 318 of the Companies Act, 1956.

Mr. Anuj Pattanaik has been appointed for a period of five years with effect from 23.9.2010 and the appointment is terminable by either party by giving three months notice to the other. Severance compensation of three months salary is payable to Mr. Pattanaik, if his agreement is terminated before the contractual period.

### Non Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings ₹
Mr. A.S. Lakshmanan	1,95,000
Mr. S.N. Agarwal	1,65,000
Mr. Anil Kumar Bhandari	1,50,000
Mr. Sarosh J Ghandy	1,95,000
Mr. V.P. Mahendra	1,20,000
Mr. Kamlesh Gandhi	75,000
Mr. Berthold Groeneveld	45,000
Mr. D. Devender Singh	45,000*
Mrs. Meena Kirloskar	90,000

\*Sitting Fees paid to Life Insurance Corporation of India

### Shareholdings of Non Executive Directors as on 31.3.2012

Name of the Non Executive Director	Shareholding - No. of Shares
Mr. A.S. Lakshmanan	19934
Mr. S.N. Agarwal	500
Mr. Anil Kumar Bhandari	500
Mr. Sarosh J Ghandy	615
Mr. V.P. Mahendra	2533
Mr. Kamlesh Gandhi	500
Mr. Berthold Groeneveld	500
Mr. D. Devender Singh	500
Mrs. Meena Kirloskar	95360

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

### Code of Conduct

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

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

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for 2011-12.

Place : Bangalore  
Date : May 28, 2012

**Vijay R Kirloskar**  
Chairman & Managing Director

### General Body Meetings

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

AGM	YEAR	VENUE	DATE	TIME
62 <sup>nd</sup>	Apr 2008- Mar 2009	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	24.09.2009	10.00 A.M
63 <sup>rd</sup>	Apr 2009- Mar 2010	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	23.09.2010	10.00 A.M
64 <sup>th</sup>	Apr 2010- Mar 2011	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	03.08.2011	10.00 A.M

Special Resolutions passed in the previous three Annual General Meetings :

Year	Special Resolution
2008-09	<ol style="list-style-type: none"> <li>1. Payment of remuneration to Mr. P.S.Malik, Joint Managing Director from 17<sup>th</sup> October, 2008 upto 9<sup>th</sup> October, 2009.</li> <li>2. Appointment of Mr. P.S.Malik as Joint Managing Director from 10<sup>th</sup> October, 2009 till 9<sup>th</sup> October, 2012.</li> <li>3. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration</li> </ol>
2009-10	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr. Vijay R Kirloskar as Managing Director from 17<sup>th</sup> August, 2010 till 16<sup>th</sup> August, 2015.</li> </ol>
2010-11	<ol style="list-style-type: none"> <li>1. Appointment of Mr. Anuj Pattanaik as Deputy Managing Director from 23<sup>rd</sup> September, 2010 till 22<sup>nd</sup> September, 2015 and payment of remuneration to Mr.Anuj Pattanaik</li> <li>2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration</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 43 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

##### Accounting Treatment

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

##### Risk Management

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

##### Utilisation of Public Issue Proceeds

The Company has not raised any money through any issue.

##### Details of non-compliance

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

##### Cost Audit

M/s. Rao, Murthy & Associates, Cost Accountants, Basavanagudi, Bangalore – 560 004, have been appointed as Cost Auditor of the Company for the financial year 2012-13, under Section 233B of the Companies Act, 1956.

Cost Audit Report for the financial year 2010-11 was filed with Ministry of Corporate Affairs on 30.12.2011 (due date 30<sup>th</sup> September, 2011). Cost Audit Report for the financial year for 2011-12 will be filed on or before the due date.

#### Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

##### Compliance with Clause 49

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

##### Remuneration Committee

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

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

##### Chairman's Office

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

##### Shareholder Rights

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

##### Training of Board Members

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

##### Whistle Blower Policy

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

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### Means of Communication

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

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

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

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

### Shareholders' Information

#### Annual General Meeting

Date : August 9, 2012

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall

Gayathri Devi Park Extension

Vyalikaval, Bangalore 560 003

Financial Year 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012

**Date of Book Closure** : 2<sup>nd</sup> day of August, 2012 to 9<sup>th</sup> day of August, 2012 (both days inclusive)

#### Financial Calendar

Un-audited Results for the quarter ended	Approved on	Published in
30.06.2011	03.08.2011	Business Standard / Samyuktha Karnataka
30.09. 2011	08.11.2011	Business Standard / Samyuktha Karnataka
31.12. 2011	08.02.2012	Business Standard / Samyuktha Karnataka
31.03.2012	28.05.2012	Business Standard / Samyuktha Karnataka

Financial Calendar for the period till 31.3.2013.

Un-audited results for the quarter ending 30 <sup>th</sup> June, 2012	by 14 <sup>th</sup> August, 2012.
Un-audited results for the quarter ending 30 <sup>th</sup> September, 2012	by 14 <sup>th</sup> November, 2012.
Un-audited results for the quarter ending 31 <sup>st</sup> December, 2012	by 14 <sup>th</sup> February, 2013.
Audited results for the quarter ending 31 <sup>st</sup> March, 2013	by 30 <sup>th</sup> May, 2013

**Dividend Payment Date** : *The Company has not declared dividend for the financial year 2011-12.*

**Listing on Stock Exchanges** : Bangalore Stock Exchange Ltd.  
Madras Stock Exchange Ltd.  
Bombay Stock Exchange Ltd  
National Stock Exchange of India Ltd

**Stock Code** : Bangalore Stock Exchange Ltd. – KIRELECTRI  
Madras Stock Exchange Ltd. – KRL  
Bombay Stock Exchange Ltd. – 533193  
National Stock Exchange of India Ltd - KECL

**ISIN Number** : INE 134B01017

The listing fees for 2012-13 have been paid to 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. The shares were traded at Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

The prices at Bombay Stock Exchange were as follow:

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume (Nos.)
April, 2011	57.60	45.85	348307
May, 2011	52.70	42.00	187691
June, 2011	46.85	40.00	167430
July, 2011	45.90	40.55	152084
August, 2011	46.75	31.55	229957
September, 2011	38.85	32.25	420656
October, 2011	35.00	30.10	107662
November, 2011	35.95	27.60	321755
December, 2011	37.00	25.50	182052
January, 2012	38.50	32.55	244060
February, 2012	40.70	32.50	131627
March, 2012	34.75	27.00	542776

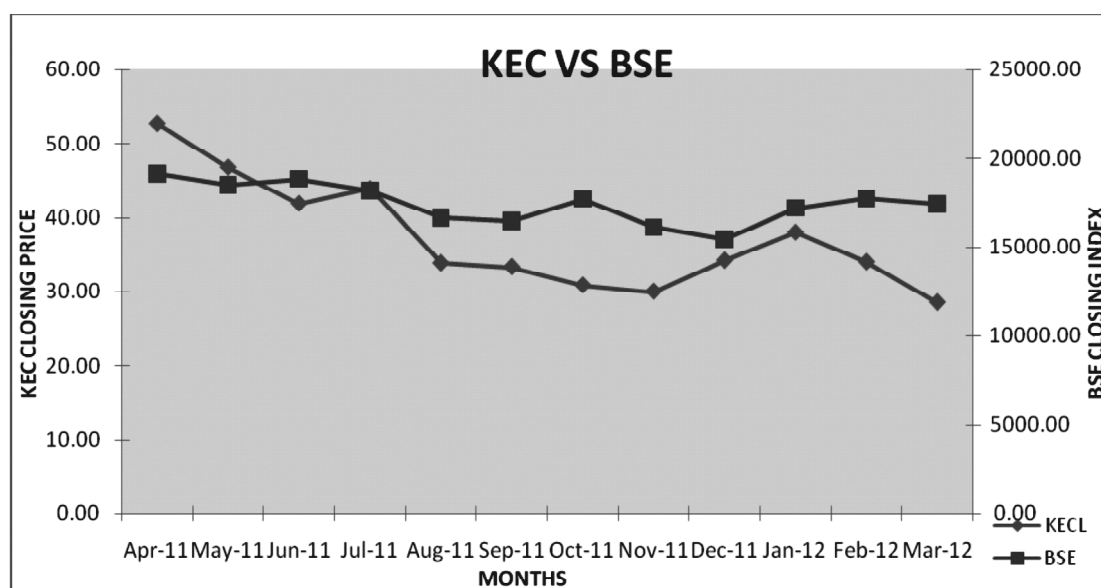
The prices at National Stock Exchange of India Ltd. were as follow

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume (Nos.)
April, 2011	59.85	46.10	135967
May, 2011	52.30	40.00	87965
June, 2011	47.50	40.05	80683
July, 2011	45.50	40.30	92310
August, 2011	46.70	27.30	139219
September, 2011	38.55	32.10	151433
October, 2011	34.75	29.60	46880
November, 2011	41.00	26.00	329820
December, 2011	37.00	25.50	123653
January, 2012	38.75	32.50	66278
February, 2012	40.50	33.10	50865
March, 2012	34.60	26.85	1058725

**Share Price Movements :**

Share Price Movements for the period 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012

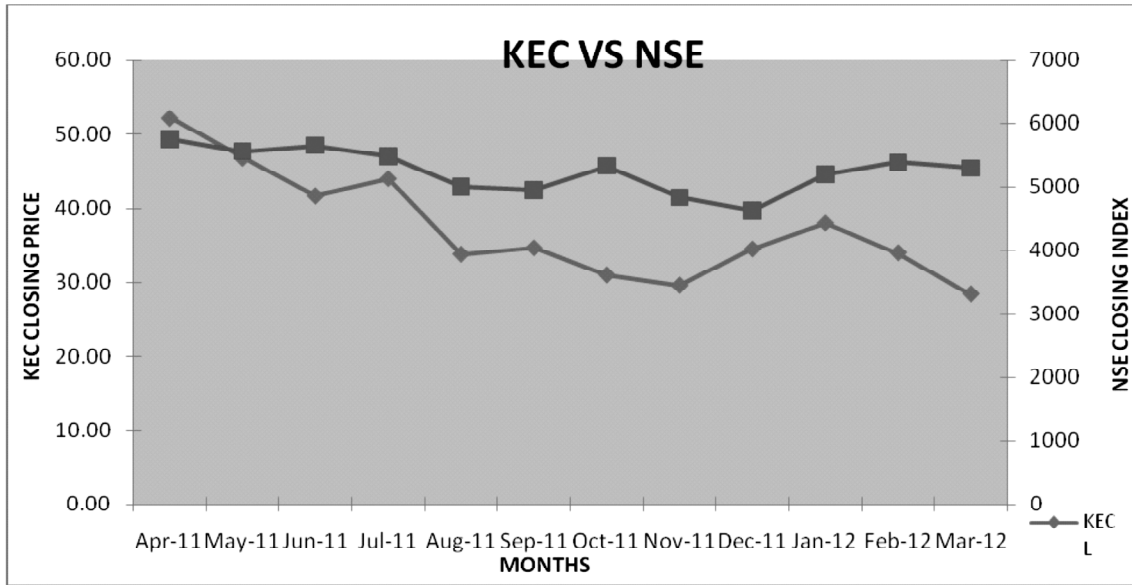
Kirloskar Electric Company Limited (KEC) vs BSE Sensex



# SIXTY FIFTH ANNUAL REPORT 2011 - 12

Share Price Movements for the period 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012

Kirloskar Electric Company Limited (KEC) vs NSE Sensex



## Registrar and Share Transfer Agents

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

M/s. Integrated Enterprises (India) Ltd

30, Ramana Residency, 4<sup>th</sup> Cross,  
Sampige Road, Malleswaram,  
Bangalore 560 003.

Telephone No : 23460815,23460816,23460817 and 23460818

Fax No. 23460819

Website :www.123alpha.com

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

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

The shareholders' complaints received during the year have been resolved with due despatch and no complaints were pending as on 31.3.2012. There were no physical transfers pending as on 31.3.2012 and there were no dematerialisation requests pending as on 31.3.2012. The Company has not received any request for rematerialisation during the year.

## Distribution of Shareholding as on 31.3.2012

Shareholding Range	No. of share holders in Demat Form	No. of shares	No. of share holders in physical Form	No. of shares	Total No. of share holders	%	No. of shares	% of share holdings
1-500	14513	1768558	22221	969093	36734	92.98	2737651	5.42
501-1000	1087	890182	256	184192	1343	3.40	1074374	2.13
1001-2000	524	797507	136	186587	660	1.67	984094	1.95
2001-3000	214	553239	45	110291	259	0.66	663530	1.31
3001-4000	91	327071	21	72142	112	0.28	399213	0.79
4001-5000	94	437403	14	60837	108	0.27	498240	0.99
5001-10000	142	1062873	16	110259	158	0.40	1173132	2.32
10001 & above	124	34660216	9	8330917	133	0.34	42991133	85.09
<b>TOTAL</b>	<b>16789</b>	<b>40497049</b>	<b>22718</b>	<b>10024318</b>	<b>39507</b>	<b>100.00</b>	<b>50521367</b>	<b>100.00</b>

**Pattern of Equity Shareholding as on 31.3.2012**

Category	No. of Shares held	Percentage of Shareholding
Promoters	22384683	44.31
Banks, Financial Institutions	4102889	8.12
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	4176418	8.27
Indian Public	17874107	35.38
NRIs/OCBs	1982420	3.92
<b>TOTAL</b>	<b>50521367</b>	<b>100.00</b>

**Dematerialisation of Shares**

The paid up equity capital of the Company as on 31.3.2012 was ₹ 50,52,13,670 (50521367 shares of ₹.10/- each). Out of the total Equity paid up share capital of ₹ 50,52,13,670, 40497049 equity shares representing 80.16% of the Equity Capital were held in dematerialised form as on 31.3.2012.

**Shareholders complaints received during the period 1.4.2011 to 31.3.2012.**

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters regarding Non receipt of Annual Reports	5	5	Nil
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	1	1	Nil
Miscellaneous Letters or complaints received other than of above categories.	6	6	Nil

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

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

**Insider Trading**

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

**Plant Locations**

Govenahalli	Hubli	Mysore	Kachenahalli	Tumkur	Tumkur Road
Survey No.16 Govenahalli Thyamagondalu Hobli Nelamangala Taluk Bangalore Rural District 562 123	Gokul Road, Hubli 580 030	Belvadi- Industrial Area, Mysore 570 018	Survey No.81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural 562 123	Hirehalli Industrial Area, Hirehalli Tumkur 572 168	JD Royalite Building Tumkur Road Bangalore 560 022

Hubli	Nagar Road	Kondhapuri	Andul Mauri
Sy. No.16/1 Gabbur Village P B Road, Hubli 580 028	5/4 Nagar Road Pune 411014	GAT No. 309, 315, 317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	Cal-Mumbai Truck Terminal Ltd. East Wing - 14, Jala Dhulagori Sankrail, Andul Mauri, Howrah 711 302

**Address for Correspondences :**

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

**Directors' Responsibility Statement**

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry

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

### Opportunities

The industries to which we cater to and diversified portfolio of ours provide consistent demand for our products overall. We are also trying to innovate and further diversify our range of products. The Indian Economy is expected to do well in comparison with others. There is considerable energy deficit. This provides significant opportunities to share in the chain of power business for our different product lines. The strong brand image of the Company's products on account of our stress on quality and a broad network of our dealers/service centres puts us in an advantageous position. It may be noted that the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

### Threats

Delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. The industry is becoming highly competitive. Industrial climate is hazy and uncertain making the working challenging. The actual performance may differ, as it is dependent on several factors beyond control of the Company.

### Performance Overview

During the year the Company has achieved a turnover of ₹ 8.72 billion as against ₹ 8.24 billion in the previous year. The profit before tax for the year is ₹ 95.7 million as against a profit of ₹ 21.1 million in the previous year.

### Segmentwise or productwise performance

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

The segmentwise turnover of the Company is as follows: -

Products	(₹ in Lakhs)	
	2011-12	2010 -11
Rotating Machines Group	<b>63566.02</b>	64016.52
Power Generation and Distribution Group	<b>46369.66</b>	46467.60
Others	<b>6916.69</b>	5359.05
<b>TOTAL</b>	<b>116852.37</b>	115843.17

### Future Outlook

Global economies appear to be going through a phase which is having greater share of volatility than that of stability. There are signs of inertia in Indian Economy as well. Your Company has taken several steps to mitigate the impact of slowdown - rather to have better results by stress upon actions oriented towards goals and performance which should enable the Company to do better, barring unforeseen circumstances. The power deficit provides opportunity to share in the chain of power business.

### Risks & Concerns

Competition is increasing and the GDP growth is expected to be just around 7.5%. The rise in prices of raw materials and supply uncertainties and tighter monetary conditions are a matter of concern.

### Internal Control System

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

**Human Resources**

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

For and on behalf of the Board

Place : Bangalore  
Date : May 28, 2012

**Vijay R Kirloskar**  
Chairman

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**CEO & CFO CERTIFICATION**

We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2012 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 polices, have been intimated to the Auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; There were no instances of fraud of which we have become aware.

Place : Bangalore  
Date : May 28, 2012

**Vijay R Kirloskar**  
Chairman & Managing Director

**CA. Vinayak N Bapat**  
Vice President &  
Chief Financial Officer

**AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS**

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached abridged Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2012, the abridged Statement of Profit and Loss and also the abridged Cash Flow statement for the year ended on that date annexed thereto together with notes thereon.

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956, read with para 3a of the notes to the abridged financial statements and are based on the financial statements of the Company for the year ended March 31, 2012 prepared in accordance with Schedule VI of the Companies Act, 1956 and is covered by our report of even date to the members of the Company which report is attached herewith.

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

**CA. C R KRISHNA**  
Partner

Membership number 027990

Bangalore  
Date: May 28, 2012

**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, 2012, the statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 37 (b) to the financial statements (valuation of Inventories)*.
- 9 On the basis of written representations received from directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 10 Attention of the members is invited to:
  - i *Note 9 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.*
  - ii *Note 36 to the financial statements regarding accounts of certain debtors, creditors, loans and advances, balances between the Company, its erstwhile subsidiary Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited being subject to review/reconciliation/identification. Further debts above two years and considered as good by management is estimated at Rs. 2,386.24 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/advances.*
  - iii *Note 2 of annexure to this report and Note 37 to the financial statements regarding SAP ERP systems being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements of Rs.13,174.60 lakhs is as certified by the management and could not be verified by us.*
  - iv *Note 39 to the financial statements regarding realizable value of assets held for sale of Rs. 793.09 lakhs being assessed by management without the support of an external valuation or quotations from prospective buyers.*
  - v *Note 40 to the financial statements regarding amounts due from certain companies of Rs.431.93 lakhs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery.*  
*In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.*
- 11 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts read with the other notes give the information as required by the Companies Act, 1956 in the manner so required and subject to *paragraph 10 above*, 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, 2012
  - B In the case of the Statement of Profit and Loss, 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  
Firm Registration No 002878S

**CA. C R KRISHNA**  
Partner

Membership number 027990

Bangalore  
Date: May 28, 2012

**ANNEXURE TO AUDITORS' REPORT**

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

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However comprehensive description of assets, their current location and accumulated depreciation need to be updated in the asset record.
- b. The management during the year has physically verified fixed assets as per a program of verification. We understand that reconciliation is in progress and that difference, if any, will be assessed after completion of reconciliation. 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, stock lying at port and with inter-units are subject to confirmation/reconciliation.*
- b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business *except at certain units where the same need to be strengthened.*
- c. *The Company has implemented SAP ECC 6 systems at a majority of its units. Certain mistakes and omissions to the extent identified during the year have been corrected based on physical verification taken from time to time (refer note 37 (a) of the financial statements). The Company is in the process of quantifying the excess and shortages adjusted in the books of account on a comprehensive basis. Accordingly, we are unable to state whether the discrepancies between book records and inventory are material and whether they have been properly dealt with in the books of account.*
- d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.
3. a. The terms and conditions on which fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interests of the Company. The maximum amount involved during the year and amount outstanding at the end of the year were Rs. 45.00 lakhs.
- b. The Company has not granted any loans to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 40(a) to the financial statements are advances and not in the nature of loans.
4. Having regard to the explanations given to us that some of the bought items / assets are proprietary and / or are customised to the requirements of the Company and as such comparative quotations are not available *and subject to notes 36 and 37 to the financial statements*, there are adequate internal control procedures commensurate with the size of the Company and the nature 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 the internal controls, subject to note 36 and 37 to the financial statements.
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. *Attention is invited to note 49 to the financial statements regarding prior approval of the Central Government not having been obtained in respect of certain contracts in which directors are interested, in terms of section 297 of the Act.*
- 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.
7. We have been informed by the management that an independent agency has been appointed for conducting internal audit of certain units and their report is awaited. Under the circumstances, we cannot comment whether the Company's internal audit system is commensurate with its size and nature of business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to paragraph 2(c) above regarding inventory records.* We have not made a detailed examination to ensure their accuracy or completeness.
9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities and barring delays in certain months and non payment of certain dues detailed in paragraph 9(b) below.
- 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. Matured deposits aggregating to Rs. 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries. According to the information and explanations given to us, pending completion of reconciliation in respect of professional tax, employees' state insurance and income tax deducted at source in respect of certain branches / offices, we are unable to identify amounts outstanding for more than 6 months, if any. However the following undisputed statutory dues were outstanding as at March 31, 2012 outstanding for a period of more than six months from the date they became payable:

Name of the Statute	Nature of Dues	Amount ₹	Period to which it relates	Due Date	Date of Payment
The Finance Act, 1994	Service tax on Goods Transport Agency	19,816	April to August 2011	5 <sup>th</sup> of subsequent month	₹ 3,654 paid on 21-May-2012 & ₹ 19,816 paid on 21-May-2012

- 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, 2012 with the relevant authorities on account of disputes.

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	1,596,910	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	2,459,790	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Demands at Various Branches of the Company	1,178,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	4,532,781	2002 to 2005	Commissioner of Sales Tax (A)
Bombay Sales Tax Act	Sales tax demand	505,585	2002 to 2005	Commissioner of Sales Tax (A)
Central Sales Tax	Sales tax demand.	54,648,404	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act	Sales tax demand	575,331	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Works Contract Tax Act	Sales tax demanded	1,004,030	2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Karnataka Sales Tax Act	Resale tax demanded	36,912,070	2002 – 2005	High Court of Karnataka
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	38,051,249	2005 – 2008	High Court of Karnataka
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise, 1944	Excise demand	217,927	April 1993	High Court of Karnataka
Works Contract Tax Act	Sales tax demanded	1,253,188	1996-1997 & 1998-1999	Joint Commissioner of sales Tax
Central Sales Tax	Sales tax demand.	10,091,942	1996-1997 & 1998-1999	Joint Commissioner of sales Tax
The Central Excise, 1944	Excise demand	129,023	September 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Excise demand	133,370	September 2007	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Cenvat credit demand	574,282	April 2008 to June 2009	Commissioner of Central Excise (Appeals)
The Income Tax Act, 1961	Income tax demand	7,947,186	Assessment year 2008–2009	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	9,525,224	Assessment year 2009-10	Commissioner of Income Tax (Appeals)

10. In our opinion, the Company did not have accumulated losses as at year end. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year. This is without taking cognizance of our comments in paragraph 10 of our report.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks & financial institutions.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to its interest.
16. In our opinion, the Company had no terms loans outstanding from banks as at the year. Accordingly, the provisions of clause 4 (xvi) of the Order is not applicable.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that Rs.6,341.76 lakhs funds raised on short- term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, no debentures were outstanding at the end of the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

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

B. K. Ramadhyani & Co.,  
4B, Chitrapur Bhavan  
8<sup>th</sup> Main, 15<sup>th</sup> cross, Malleswaram,  
Bangalore - 560 055  
Date: May 28, 2012

**CA. C R KRISHNA**  
Partner  
Membership number 027990

# SIXTY FIFTH ANNUAL REPORT 2011 - 12

## ABRIDGED BALANCE SHEET AS AT 31st MARCH 2012

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

(₹ in Lakhs)

	As at 31st March 2012	As at 31st March 2011	
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital			
(i) Equity	5,052.14	5,052.14	
(ii) Preference	-	773.59	
	<b>5,052.14</b>		5,825.73
b) Reserves & Surplus			
(i) Capital Reserve	18.06	18.06	
(ii) Revaluation Reserve	480.41	480.41	
(iii) Capital Redemption Reserve	2,401.75	2,401.75	
(iv) Debenture Redemption Reserve	494.00	494.00	
(v) Reconstruction Reserve Account	641.67	641.67	
(vi) Profit & Loss Account	9,969.75	9,012.93	
(vii) Reserve for Doubtful Debts	90.00	90.00	
	<b>14,095.64</b>		13,138.82
<b>NON CURRENT LIABILITIES</b>			
a) Long term borrowings			
i) Secured	75.90	269.53	
ii) Unsecured			
- Public deposits	1,218.40	2,336.04	
b) Other long term liabilities	690.45	663.30	
c) Long term provisions	1,047.15	1,308.06	
	<b>3,031.90</b>		4,576.93
<b>CURRENT LIABILITIES</b>			
a) Short term borrowings			
i) Secured Loans	9,517.07	9,553.66	
ii) Unsecured			
- Public deposits	136.92	505.50	
- Others	3,043.43	1,584.49	
b) Trade payables	24,845.36	24,970.74	
c) Other current liabilities	7,342.34	7,903.75	
d) Short term provisions	1,447.77	1,124.90	
	<b>46,332.89</b>		45,643.04
<b>TOTAL</b>	<b>68,512.57</b>		<b>69,184.52</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
a) Fixed Assets			
i) Tangible assets	14,310.17	15,914.62	
ii) Intangible assets	173.82	227.31	
iii) Capital work in progress	395.16	203.82	
	<b>14,879.15</b>	16,345.75	
b) Non current investments			
i) Investment in Subsidiary Companies			
- Unquoted	12,777.48	10,907.42	
ii) Others			
- Quoted	1.00	1.00	
- Unquoted	54.46	54.46	
	<b>12,832.94</b>	10,962.88	
Less: Provision for diminution in value of Investments	129.36	129.36	
	<b>12,703.58</b>	10,833.52	
Market value of quoted investments	9.59	12.03	
iii) Long term loans and advances	1,449.60	1,584.81	
iv) Other non current assets	1,030.05	1,897.36	
	<b>30,062.38</b>		30,661.44
<b>CURRENT ASSETS</b>			
a) Inventories	13,174.60	11,617.19	
b) Trade receivables	18,744.11	19,573.53	
c) Cash & Bank Balances	2,783.02	3,816.13	
d) Loans & Advances			
(i) To subsidiaries	-	18.33	
(ii) To others	1,445.24	1,863.86	
e) Other Current assets (includes assets held for sale Rs.793.09 (as at March 31, 2011 Rs.335.65))	2,303.22	1,634.04	
	<b>38,450.19</b>		38,523.08
<b>TOTAL</b>	<b>68,512.57</b>		<b>69,184.52</b>

### REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2012

As per our report of even date

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.,**  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

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

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place : Bangalore  
Date : May 28, 2012

# KIRLOSKAR ELECTRIC COMPANY LTD.

## ABRIDGED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2012.

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

(₹ in Lakhs)

	Current reporting period		Previous reporting period	
<b>INCOME</b>				
Sales	94,901.61		89,521.98	
Less: excise duty	<u>7,727.64</u>	87,173.97	<u>7,134.44</u>	82,387.54
Interest		114.81		146.83
Dividend		7.08		3.66
Rent received		47.94		51.06
Provision no longer required withdrawn		249.45		39.73
Other Income		156.98		127.91
<b>TOTAL</b>		<u><u>87,750.23</u></u>		<u><u>82,756.73</u></u>
<b>EXPENDITURE</b>				
Cost of goods consumed / sold:				
(i) Opening stock	11,617.19		9,121.82	
(ii) Add: Purchases	<u>67,143.30</u>		<u>65,804.23</u>	
	78,760.49		74,926.05	
Less: Closing Stock	<u>13,174.60</u>		<u>11,617.19</u>	
		<b>65,585.89</b>		63,308.86
Manufacturing Expenses (including power & fuel)		864.74		860.27
Selling Expenses		1,943.15		1,800.50
Salaries, Wages and other employees benefits		7,783.43		7,408.60
Remuneration to whole-time directors		229.55		237.65
Directors' sitting fees		10.80		9.01
Interest and Finance Charges		3,830.46		3,171.07
Depreciation		1,838.89		1,618.81
Provisions:				
(i) Allowance for doubtful trade receivables	94.00		150.00	
(ii) Warranty	<u>237.28</u>		<u>55.89</u>	
		<b>331.28</b>		205.89
Auditors Remuneration		66.74		66.21
Loss on sale of fixed assets		5.75		3.89
Other operating expenses		<u>4,258.74</u>		<u>3,858.86</u>
		<b>86,749.42</b>		82,549.62
Less: Expenses Capitalised		8.09		5.89
<b>TOTAL</b>		<u><u>86,741.33</u></u>		<u><u>82,543.93</u></u>
<b>PROFIT BEFORE TAX EXPENSE</b>				
		<b>1,008.90</b>		212.80
Less : Provision for current tax		52.08		2.27
<b>PROFIT AFTER TAX EXPENSE</b>				
		<u><u>956.82</u></u>		<u><u>210.53</u></u>
<b>Earning per Share (Face Value ₹ 10 per share)</b>				
Basic & Diluted		<u><u>1.73</u></u>		<u><u>0.18</u></u>

### REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2012

As per our report of even date

For and on behalf of the Board of Directors

**For B.K. RAMADHYANI & CO.,**  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSKAR**  
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Vice President (Legal) &  
Company Secretary

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place : Bangalore  
Date : May 28, 2012

# SIXTY FIFTH ANNUAL REPORT 2011 - 12

## ABRIDGED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

(₹ in Lakhs)

	Current reporting period	Previous reporting period
<b>Cash flows from operating activities</b>		
Profit before taxation	1,008.90	212.80
Adjustments for:		
Depreciation & Amortisation	1,838.89	1,618.81
Provisions (Net)	60.52	(984.23)
Loss on sale of fixed assets	5.75	3.89
Interest received	(114.81)	(146.83)
Dividends received	(7.08)	(3.66)
Interest expenses	3,830.46	3,171.07
	<b>5,613.73</b>	<b>3,659.05</b>
	<b>6,622.63</b>	<b>3,871.85</b>
(Increase)/ decrease in trade and other receivables	1,029.63	(281.73)
(Increase)/ decrease in inventories	(1,557.41)	(2,495.37)
Increase/ (decrease) in trade payables & other current liabilities	(1,407.69)	6,436.85
	<b>(1,935.47)</b>	<b>3,659.75</b>
	<b>4,687.16</b>	<b>7,531.60</b>
Income taxes paid	155.68	840.37
<b>Net cash from operating activities</b>	<b>4,531.48</b>	<b>6,691.23</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(840.86)	(743.90)
Proceeds from sale of property, plant and equipment	5.38	26.99
Purchase of investments	(1,847.57)	(2,276.58)
Interest received	106.40	180.76
Reduction in margin money	1,118.48	282.15
Dividend received	7.08	3.66
<b>Net cash from investing activities</b>	<b>(1,451.09)</b>	<b>(2,526.92)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long term borrowings	72.00	2,570.40
Repayment of long term borrowings	(380.20)	(1,211.74)
ICD's Accepted	5,485.00	1,531.06
Repayment of ICD's	(3,896.06)	(100.00)
Fixed deposits from public accepted	219.90	641.24
Repayment of fixed deposits from public	(735.50)	(720.30)
Repayment of preference share capital	(773.59)	(773.59)
Repayment of short term borrowings (net)	(166.59)	-
Repayment of finance lease obligation	(216.00)	(1,582.94)
Interest paid	(3,722.46)	(3,115.26)
<b>Net cash from financing activities</b>	<b>(4,113.50)</b>	<b>(2,761.13)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,033.11)</b>	<b>1,403.18</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	<b>3,816.13</b>	<b>2,412.95</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>2,783.02</b>	<b>3,816.13</b>

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2012

As per our report of even date

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.**,  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

**ANUJ PATTANAİK**  
Deputy Managing Director

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

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place: Bangalore

Date: May 28, 2012

**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS****1. SIGNIFICANT ACCOUNTING POLICIES****1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

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

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

**(ii) Intangible Assets**

Intangible assets are accounted at cost of acquisition.

**1.3 ASSETS HELD FOR SALE::**

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

**1.4 INVESTMENTS:**

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

**1.5 INVENTORIES:**

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

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

**1.6 DEPRECIATION:**

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

**1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:**

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

**1.8 REVENUE RECOGNITION:**

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

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

**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 recognized in the period in which the employee renders the related service.

**(ii) Post Employment Benefits:****a) Defined Contribution Plans:**

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

**b) Defined Benefit Plans:**

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

**1.10 FOREIGN CURRENCY TRANSACTIONS:**

- a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.
- b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.
- c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- d) Branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.
- e) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

**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 the Statement of Profit & Loss.

**1.13 IMPAIRMENT OF ASSETS:**

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

**1.14 PROVISIONS & CONTINGENT LIABILITIES:**

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

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

2 Contingent liabilities and Commitments: (Refer note 22 of the financial statements)

(₹ in Lakhs)

2(a)	CONTINGENT LIABILITIES ETC	As at 31.03.2012	As at 31.03.2011
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	8,643.93	12,409.29
ii)	Bills discounted with bank	2,030.72	2,615.12
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	183.52	62.09
iv)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹.701.94 against the demand which has been included in Loans & advances.	2,237.80	2,121.94
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to ₹.129.44 (As at March 31, 2011: ₹ 129.44 )	2,683.09	2,564.91
vi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200.00 (Previous year ₹ 200.00) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200.00 along with dividends in arrears of ₹ 205.60 and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	405.60	405.60
vii)	Sales tax liabilities in respect of pending assessments – C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	Not ascertainable	not Ascertainable
viii)	Interest if any, on account of delays in payment to suppliers.	Not ascertainable	not Ascertainable
ix)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not ascertainable	Not Ascertainable
x)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	Not ascertainable	Not Ascertainable
xi)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2012 (as at March 31, 2011 for the period from April 1, 2004 to March 31, 2011) (including tax thereon).	1,154.82	1,071.74
xii)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 paid has been included in loans and advances	91.54	91.54
xiii)	Guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened by them in favor of ICICI Bank, Canada as security for loan granted issued by them to Kirsons BV. SBLC is secured by mortgage of certain immovable properties of the Company and shares of Kirsons BV.	5,878.54	8,031.25
xiv)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement.	Not ascertained	not ascertained
xv)	Income tax demands under appeal	174.98	93.07
xvi)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	45.99	45.99

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

(b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances). 305.99      1,047.87

3 (a) The format of the abridged financial statements has been adopted as per the revised schedule VI issued by the Ministry of Corporate Affairs, Government of India vide notfn. no. S.O.447(E) dated February 28, 2011 (as amended by Notification.

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

No. (F.No. 2/6/2008-[L-V] dated March 30, 2011). Even though the format for abridged version as per rule 23AB of the Companies (Central Government) General Rules and Forms has not been revised based on legal advice.

- (b) Further capacities and production of the class of goods manufactured by the Company need not be disclosed as per revised schedule VI and notifications as referred above.

**4 Details of Sale of Manufactured goods and services during the year:**

(₹ in Lakhs)

Item No.	Class of Goods	Turnover of Finished Goods	
		Current Year	Previous Year
1.	Motors/ Alternators/ Generators	42,841.55	38,234.46
2.	Transformers	30,147.81	32,130.24
3.	D. G Sets	13,508.22	11,595.38
4.	Others	8,095.91	7,485.92
5.	Sale of services	308.12	75.98
	<b>Total</b>	<b>94,901.61</b>	89,521.98

**5. Note 34 of the financial statements**

- (a) The order of the Honourable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation inter alia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.
- (b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honourable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 589.22 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.
- (c) The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

**6. Note 35 of the financial statements:**

The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.

**7. Note 36 of the financial statements:**

- (a) Confirmation of balances from sundry debtors, deposit accounts, loans and advances, certain creditors etc have not been obtained. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding as at March 31, 2012 for more than 2 years of ₹ 2,911.29, the Company holds a provision of ₹ 525.05. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.
- (b) The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹ 1,116.75 and ₹ 561.14 has been included in Current assets and current liabilities respectively. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

**8. Note 37 of the financial statements:**

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

9. Note 38 of the financial statements:

- (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2012 have been based on moving weighted average and labour/ overheads absorption methods configured in the said system as against other cost basis used in the Previous reporting Period. Effect of such change on the revenue for the year is not ascertained.
- (b) Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

10. Note 39 of the financial statements:

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

11. Note 40 of the financial statements:

- (a) Current Assets, Loans & Advances include ₹ 431.93 (as at end of Previous reporting Period ₹ 236.92) being rescheduled advances from certain other Companies.
- (b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

12. Note 9 of the financial statements:

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

(₹ in Lakhs)

SI No	Particulars	As at March 31, 2012	As at March 31, 2011
1	Principal amount due and remaining unpaid	598.52	216.48
2	Interest due on (1) above and the unpaid interest	Not ascertained	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	Not ascertained	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	Nil	Nil
6	Interest accrued and remaining unpaid	Not ascertained	Not ascertained
7	Amount of further interest remaining due and payable in succeeding years	Not ascertained	Not ascertained

13. Disclosures as per Accounting Standard 15 "Employee Benefits": (Note 41 of the financial statements)

Defined Contribution Plan:

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

(₹ in Lakhs)

	Current reporting period	Previous reporting Period
Employer's contribution to provident & pension funds	355.83	353.29
Employer's contribution to superannuation fund	105.29	113.95

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.

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Current reporting period		Previous reporting period	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (funded)
<b>1. Reconciliation of opening and closing balances of defined benefit obligation:</b>				
Defined Benefit obligation at beginning of the year	2477.03	432.08	2,256.43	424.69
Current Service Cost	119.32	96.66	119.13	76.50
Interest Cost	172.56	34.45	165.02	30.09
Additional provision for increase in limit of gratuity/ in excess of limit	25.81	-	181.38	-
Actuarial (gain)/ loss	(133.52)	(62.22)	(18.12)	(37.09)
Benefits Paid	(277.25)	-	(226.81)	(62.11)
Defined Benefit obligation at end of the year	2383.95	500.97	2,477.03	432.08
<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	1537.95	44.10	1,189.63	-
Expected return on plan assets	144.12	7.62	122.36	2.06
Employer Contribution	270.63	73.95	454.33	43.87
Benefits paid	(277.25)	-	(226.81)	-
Actuarial gain/(loss)	(5.48)	(2.51)	(1.56)	(1.83)
Fair value of plan assets at year end	1669.97	123.16	1,537.95	44.10
<b>3. Reconciliation of fair value of assets and obligations:</b>				
Fair value of plan assets	1669.97	123.16	1,537.95	44.10
Present value of obligation	2383.95	500.97	2,477.03	432.08
Amount recognized in Balance Sheet under liabilities:	713.98	377.81	939.08	387.98
<b>4. Expense recognized during the year:</b>				
Current Service Cost	119.32	96.66	119.13	76.50
Interest Cost	172.56	34.45	165.02	30.09
Expected return on plan assets	(144.12)	(7.62)	(122.36)	(2.06)
Additional provision for increase in limit of gratuity/ in excess of limit	25.81	-	181.38	-
Actuarial (gain)/ loss	(128.04)	(41.91)	(16.56)	(35.26)
<b>Net Cost</b>	<b>45.53</b>	<b>81.58</b>	<b>326.61</b>	<b>69.27</b>
<b>5 Actuarial assumptions:</b>				
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8.60%	8.60%	7.70%	7.70%
Expected rate of return on plan assets (per annum)	9.40%	9.40%	9.25% to 9.40%	9.40%
Rate of escalation in salary (per annum)	7%	7%	7%	7%

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

**14. SEGMENT REPORTING: (Note 42 of the financial statements)**

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

15. RELATED PARTIES DISCLOSURE: (Note 43 of the financial statements)

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

DETAILS OF TRANSACTIONS:

(₹ in Lakhs)

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	Nil (Nil)	59.14 (26.75)	Nil (Nil)	Nil (Nil)	327.15* (236.13 )
Sale of goods/fixed assets/ services	36.59 (39.18)	152.65 (24.58)	Nil (Nil)	199.90# (259.86)	2.63^ (54.86)
Purchase of Motor vehicles from Ravindu Motors Private Limited	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (45.14)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (52.33)
Rent received from Ravindu Motors Private Limited	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	26.47 (24)

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

₹ in Lakhs

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Dividend received	Nil (Nil)	Nil (Nil)	Nil (Nil)	284 # (Nil)	Nil (Nil)
Rent paid	Nil (Nil)	Nil (Nil)	Nil (15.95)	Nil (Nil)	430.07## (414.87)
Donations Paid to Kirloskar Electric Charitable Trust	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	150.00 (Nil)
Investments as at March 31, 2012	12,648.12\$\$\$ (10,778.06)	Nil (Nil)	Nil (Nil)	5.29# (5.29)	28.17++ (28.17)
Investments made during the year	1,847.57 (2,253.92)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Share application money pending allotment	Nil (22.49)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Irrecoverable advances written off during the year	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (322.46 )\$
Amount due to Company as at March 31, 2012	Nil (18.33)	Nil (Nil)	Nil (Nil!)	37.60# (43.94)	843.14!! (594.56)
Amount due from Company as at March 31, 2012	Nil (Nil)	48.39 (134.05)	Nil (Nil)	Nil (Nil)	1.88 \$\$ 67.46)
Remuneration paid	Nil (Nil)	Nil (Nil)	266.72 ^^^ (246.38)	Nil (Nil)	Nil (Nil)
Fixed deposit renewed/ accepted during the year	Nil (Nil)	Nil (Nil)	45** (35)	Nil (Nil)	40@ (Nil)
Fixed deposit outstanding as at March 31, 2012	Nil (Nil)	Nil (Nil)	45** (35)	Nil (Nil)	40@ (Nil)
Interest on fixed deposit	Nil (Nil)	Nil (Nil)	4.51 *** (4.23)	Nil (Nil)	3.59@@ (Nil)
Redemption of Preference Shares to Abhiman Trading Company Pvt. Ltd.	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4.67 (4.67)
Guarantees given by the Company and outstanding at the end of the year.	5,878.54 (8,481.25)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Guarantees given on behalf of the Company and outstanding at the end of the year by Mr. Vijay R Kirloskar	Nil (Nil)	Nil (Nil)	9,473.29 (8,970.88)	Nil (Nil)	Nil (Nil)

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

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

\* Includes Purchases of goods/ services from Kirloskar Batteries Pvt. Ltd. ₹ 51.75 (Previous reporting Period ₹ 47.71), Vijay Farms Pvt. Ltd. ₹ 70.58 (Previous reporting Period ₹ 63.71), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 125.29 (Previous reporting Period ₹ 86.46), Vijay Jyothi Investment and Agencies Pvt. Ltd. ₹ 2.73 (Previous reporting Period ₹ 2.84), Ravindu Motors Pvt. Ltd. ₹ 0.97 (Previous reporting Period ₹ Nil), Vijay Kirthi Investment and Agencies Pvt. Ltd. ₹ 1.20 (Previous reporting Period ₹ Nil), Abhiman Trading Company Pvt. Ltd. ₹ 60.65 (Previous reporting Period ₹ 35.41) and Kirloskar Electric Charitable Trust ₹ 13.98 (Previous reporting Period ₹ Nil).

# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Power Equipments Limited ₹ 2.55 (Previous reporting Period ₹ Nil), Kirloskar Electric Charitable Trust ₹ 0.08 (Previous reporting Period ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ Nil (Previous reporting Period ₹ 54.86).

## Includes rent paid to Kirloskar Power Equipments Limited ₹ 240.00 (Previous reporting Period ₹ 222.00), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 172.07 (Previous reporting Period ₹ 156.00), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 18.00 (Previous reporting Period ₹ 18.00) and Kirloskar Batteries Pvt Ltd ₹ Nil (Previous reporting Period ₹ 18.87).

++ Investments in Kirloskar Power Equipments Limited ₹ 28.17 (as at March 31, 2011 ₹ 28.17)

\$\$ includes amount due to Kirloskar Batteries Private Limited ₹ Nil (as at March 31, 2011 ₹ 67.46), Kirloskar Electric Charitable Trust ₹ 1.76 (Previous reporting Period Nil) and Vijay Kirthi Investment and Agencies Private Limited ₹ 0.12 (as at March 31, 2011 ₹ Nil).

\$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipments Limited ₹ 308.14 (as at March 31, 2011 ₹ 312.46), Vijay Farms Pvt. Ltd. ₹ 173.39 (as at March 31, 2011 ₹ 178.48), Vijay Jyothi Investment and Agencies Pvt. Ltd. ₹ 98.28 (as at March 31, 2011 ₹ 44.10), Abhiman Trading Company Pvt. Ltd. ₹ 40.80 (as at March 31, 2011 ₹ 34.05), Sri Vijaydurga Investments and Agencies Pvt Ltd ₹ 13.33 (as at March 31, 2011 ₹ 24.39), Kirloskar Batteries Pvt. Ltd. ₹ 204.41 (as at March 31, 2011 ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ 4.79 (as at March 31, 2011 ₹ 1.08).

\*\* Represents deposits renewed/ accepted from Mrs. Meena Kirloskar ₹ 25 (Previous reporting Period ₹ 25) and Ms. Rukmini Kirloskar ₹ 20 (Previous reporting Period ₹ 10)

\*\*\* Represents interest paid to Mrs. Meena Kirloskar ₹ 2.88 (Previous reporting Period ₹ 3.79) and Ms. Rukmini Kirloskar ₹ 1.62 (Previous reporting Period ₹ 0.54)

\$\$\$ Includes expenses incurred in connection of acquisition of subsidiary ₹ 902.60.

^^^ Includes paid to Mr. Vijay R Kirloskar ₹ 137.16 (Previous reporting Period ₹ 137.16), Mr. P S Malik ₹ Nil (Previous reporting Period ₹ 61.73), Mr. Anuj Pattanaik ₹ 129.24 (Previous reporting Period 38.76) but does not include accrued gratuity, compensated absence (since liability has been recognized for the company as a whole) free use of company car and communication facilities.

^^^ Includes Mrs. Meena Kirloskar ₹ 0.90 (Previous reporting Period ₹ 0.73), Ms. Janaki Kirloskar ₹ 2.72 (Previous reporting Period ₹ 2.40) and Ms. Rukmini Kirloskar ₹ 6.39 (Previous reporting Period ₹ 5.60).

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

@@ Includes paid to KEC Executives & Other Officers Welfare Trust ₹ 0.95 (Previous reporting Period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 0.95 (Previous reporting Period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 1.32 (Previous reporting Period ₹ Nil) and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.37 (Previous reporting Period ₹ Nil)

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

## 16. Earnings per share: (Note 33 of financial statements)

(₹ in Lakhs)

Particulars	Current reporting period	Previous reporting period
<b><u>BASIC &amp; DILUTED :</u></b>		
<b>After extraordinary items</b>		
Profit for the year after tax expense	956.83	210.52
Less:		
Preference Dividend including dividend tax	83.09	121.00
	873.74	89.52
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (₹)	1.73	0.18

## 17. FINANCE LEASES: : (Note 44 of the financial statements)

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

(₹ in Lakhs)

Particulars	Total minimum lease payments outstanding as at March 31, 2012	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2012
Within One year	239.94 (262.55)	19.04 (48.01)	220.90 (214.54)
Later than one year but not later than five years	51.02 (288.85)	6.25 (21.71)	44.78 (267.14)
<b>TOTAL</b>	<b>290.96</b> (551.40)	<b>25.29</b> (69.72)	<b>265.68</b> (481.68)

## 18. Note 45 of the financial statements:

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are ₹ 656.06. (₹ 693.80).

## 19. Note 46 of the financial statements:

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Wage Arrears	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	- (70.00)	659.58 (720.36)	442.41 (430.00)
Provision for the year (net)	336.16 (-70.00)	(40.37) (-60.78)	- (12.41)
Balance outstanding at the end of the year	336.16 (-)	619.21 (659.58)	442.41 (442.41)

**20. Note 47 of the financial statements:**

The Company has entered into forward contracts outstanding as on March 31, 2012 for Euro Nil (as at March 31, 2011 Euro 250,000) to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2012 are as under:

(₹ in Lakhs)

Particulars	As at end of the reporting period	As at end of previous reporting period
Assets (Receivables)	757.55	409.79
Liabilities (Payables)	680.86	441.11

**21. Note 48 of the financial statements:**

The Company has paid a higher remuneration to the Deputy Managing Director amounting to ₹ 92.13 for the period August 4, 2011 to March 31, 2012 which is subject to approval of the members of the Company.

**22. Note 49 of the financial statements:**

During the year the Company has sold goods amounting to ₹ 6.15 and purchases of goods amounting to ₹ 0.10 to a private limited company covered under Section 297 of the Companies Act, 1956 in respect of which no prior approval of the Central Government as required under Section 297 of the Companies Act, 1956 was obtained. The Company is in the process of making an application to the Company Law Board under Section 621A of the Companies Act, 1956 for compounding of the above non-compliance. However, no adjustments have been made to the financial statements for the year ended March 31, 2012.

**23. Note 50 of the financial statements:**

Donations of ₹ 150 are subject to approval of members in their meeting under section 293 (1) (e) of the Companies Act, 1956.

**24. Operating Cycle for segregation between current and non current: (Note 51 of the financial statements)**

Normal operating cycle of the business of the Company is assessed by management as not more than twelve months for segregation of Current and Non-Current.

## NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

25. Key Ratios:		Current reporting period	Previous reporting period
a)	Total Income/ Total Assets	1.28	1.20
b)	Net profit before interest and tax/ capital employed at the end of the year %	16.08%	10.70%*
c)	Return on Networth %	5.31%	1.18%*
d)	Net Profit/ Total Income %	1.09%	0.25%

\*recast

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

As per our report of even date

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.,**  
Chartered Accountants  
Firm registration number: 002878S

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. C R KRISHNA**  
Partner

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

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place : Bangalore  
Date : May 28, 2012

**Consolidated  
Financial Statements 2011-12**



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

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company"), its subsidiaries and other consolidating entities (collectively referred as "the KEC group") as at March 31, 2012, the consolidated Statement of Profit and Loss of the KEC group and the consolidated Cash Flow Statement of the KEC group for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
3.
  - a. We have not audited the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.36,565.01 lakhs (March 31, 2011 Rs.30,198.30 lakhs) and total revenues for the year of Rs.26,873.83 lakhs (March 31, 2011 Rs.26,904.70 lakhs). These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
  - b. We have not audited the financial statements of Electrical Machine Industries (Baharin) WLL (EMIB) and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2012. Consequently, the Company's share in the profits/losses of associates as shown separately in the Statement of Profit and Loss and the value of investments in the consolidated balance sheet is based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year as received from the said associates.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements and AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiaries, audited/ unaudited financial statements of the associates for the year ended March 31, 2012.
5. *Attention is invited to the following: -*
  - a) *Note 13 to the financial statements regarding complete particulars regarding dues to Micro, Small & Medium Enterprises by the parent company not being ascertained, with consequential non provision for interest due.*
  - b) *Note 39 to the financial statements regarding accounts of certain debtors, creditors, loans & advances, balances between the parent company, its erstwhile subsidiary Kaytee Switchgear Limited and operating business of Kirloskar Power Equipment Limited being subject to review/reconciliation. Further debts above two years of the parent company and considered as good by management is estimated at Rs. 2,386.24 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/ advances.*
  - c) *Note 40 of the financial statements regarding SAP ECC 6 systems in respect of parent company, being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Certain mistakes and omissions to the extent identified during the year in respect of parent company have been corrected based on physical verification taken from time to time. Further comprehensive identification/reconciliation of excess/shortages in respect of inventories of the parent company is in process. Accordingly, value of inventories adopted in the financial statements in respect of the parent company of Rs. 13,174.60 lakhs is as certified by the management and could not be verified by us.*
  - d) *Note 42 to financial statements regarding realizable value of assets held for sale of Rs. 793.09 lakhs being assessed by management without the support of an external valuation or quotations from prospective buyers.*
  - e) *Note 43 to the financial statements regarding amounts due from certain companies of Rs.431.93 lakhs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery. In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.*
6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraph 5 above* and read with the other notes give a true and fair view in conformity with accounting principles generally accepted in India:
  - a. In the case of the balance sheet, of the consolidated state of affairs of the KEC group as at March 31, 2012
  - b. In the case of the Statement of Profit and Loss, of the profits of the KEC group for the year ended on that date and
  - c. In case of the cash flow statement, of the cash flows of the KEC group for the year ended on that date.

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

B. K. Ramadhyani & Co.,  
4B, Chitrapur Bhavan  
8<sup>th</sup> Main, 15<sup>th</sup> cross, Malleswaram,  
Bangalore - 560 055  
Date: May 28, 2012

**CA. C R KRISHNA**  
Partner  
Membership number 027990

# SIXTY FIFTH ANNUAL REPORT 2011 - 12

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2012

(₹ in Lakhs)

Particulars	Note No.	As at 31st March 2012	As at 31st March 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>1) SHAREHOLDERS' FUNDS</b>			
a) Share Capital	6	5,052.14	5,825.73
b) Reserves and Surplus	7	18,278.93	16,575.97
		<b>23,331.07</b>	22,401.70
<b>2) MINORITY INTEREST</b>			
		<b>184.32</b>	225.59
<b>3) NON - CURRENT LIABILITIES</b>			
a) Long term borrowings	8	5,236.38	8,580.24
b) Other long term liabilities	10	690.45	663.30
c) Long term provisions	11	1,047.15	1,534.13
		<b>6,973.98</b>	10,777.67
<b>4) CURRENT LIABILITIES</b>			
a) Short term borrowings	12	18,369.96	14,392.94
b) Trade payables	13	28,963.75	27,605.68
c) Other current liabilities	14	13,771.64	12,284.52
d) Short term provisions	15	1,672.54	1,396.93
		<b>62,777.89</b>	55,680.07
<b>TOTAL</b>		<b>93,267.26</b>	<b>89,085.03</b>
<b>II. ASSETS</b>			
<b>1) NON - CURRENT ASSETS</b>			
a) Fixed Assets			
i) Tangible assets	16	17,658.56	19,210.71
ii) Intangible assets	16	522.28	533.21
iii) Capital work in progress	17	395.16	203.81
iv) Intangible assets under development	17	234.05	-
		<b>18,810.05</b>	19,947.73
b) Goodwill on consolidation		14,555.84	13,530.64
c) Non - current investments	18	209.46	196.65
d) Deferred tax assets (Net)	9	1,639.38	1,480.96
e) Long term loans and advances	19	1,449.60	1,562.32
f) Other non current assets	20	3,016.21	3,556.62
		<b>39,680.54</b>	40,274.92
<b>2) CURRENT ASSETS</b>			
a) Inventories	21	23,041.61	16,505.39
b) Trade receivables	22	23,478.37	24,406.03
c) Cash and cash equivalents	23	2,858.75	3,889.42
d) Short term loans and advances	24	1,734.73	2,685.22
e) Other current assets	25	2,473.26	1,324.05
		<b>53,586.72</b>	48,810.11
<b>TOTAL</b>		<b>93,267.26</b>	<b>89,085.03</b>
<b>Significant accounting policies and notes to financial statements</b>	<b>1 to 55</b>	-	-

In Accordance with our Report attached

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.,**  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSAR**  
Chairman & Managing Director

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

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place: Bangalore  
Date : May 28, 2012

# KIRLOSKAR ELECTRIC COMPANY LTD.

## STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

(₹ in Lakhs)

Particulars	Note No.	Current Reporting Period	Previous Reporting Period
<b>I. REVENUE FROM OPERATIONS</b>	<b>27</b>	<b>109,124.73</b>	108,708.73
<b>II OTHER INCOME</b>	<b>28</b>	<b>845.00</b>	773.67
<b>III TOTAL REVENUE (I + II)</b>		<b>109,969.73</b>	109,482.40
<b>IV EXPENSES</b>			
Cost of materials consumed	<b>29</b>	<b>78,263.78</b>	74,629.16
Purchases of stock in trade			
Changes in inventories of finished goods, work in progress and stock in trade	<b>30</b>	<b>(5,482.95)</b>	716.01
		<b>72,780.83</b>	75,345.17
Employee benefits expense	<b>31</b>	<b>17,899.33</b>	16,628.51
Finance costs	<b>32</b>	<b>4,569.00</b>	3,846.44
Depreciation and amortization expense	<b>33</b>	<b>2,486.87</b>	2,188.22
Other expenses	<b>34</b>	<b>12,275.26</b>	10,587.36
		<b>110,011.29</b>	108,595.70
Less Expenses Capitalised		<b>233.88</b>	19.05
<b>Total Expenses</b>		<b>109,777.41</b>	108,576.65
<b>V PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)</b>		<b>192.32</b>	905.75
<b>VI EXCEPTIONAL ITEMS</b>	<b>35</b>	<b>135.72</b>	184.62
<b>VII PROFIT BEFORE SHARE OF INCOME FROM ASSOCIATES &amp; MINORITY INTEREST (V-VI)</b>		<b>328.04</b>	1,090.37
<b>VIII TAX EXPENSE:</b>			
1) Current tax		<b>46.11</b>	160.49
2) Prior year tax		-	0.31
3) Deferred tax		<b>(37.52)</b>	196.64
		<b>8.59</b>	357.44
<b>IX PROFIT AFTER TAX EXPENSE (VII - VIII)</b>		<b>319.45</b>	732.93
<b>X ADJUSTMENTS</b>			
Add: Share of profit of associates (net of tax)		<b>8.69</b>	4.29
Less: Minority Interest profit/(loss)		<b>(15.36)</b>	45.74
		<b>24.05</b>	(41.45)
<b>XI PROFIT FOR THE PERIOD (IX - X)</b>		<b>343.50</b>	691.48
<b>XII Earning per equity share:</b>	<b>36</b>		
Basic & diluted		<b>0.52</b>	1.13
<b>Significant accounting policies and notes to financial statements</b>	<b>1 to 55</b>		

In Accordance with our Report attached

For and on behalf of the Board of Directors

**For B.K. RAMADHYANI & CO.,**  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

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

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place: Bangalore  
Date : May 28, 2012

# SIXTY FIFTH ANNUAL REPORT 2011 - 12

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

(₹ in Lakhs)

Particulars	Current Reporting Period	Previous Reporting Period
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit after taxation	343.50	691.48
Add: tax expense	8.59	357.44
	<u>352.09</u>	<u>1,048.92</u>
Adjustments for:		
Depreciation & Amortisation	2,486.87	2,188.22
Amortisation & Provisions (Net)	(212.81)	(1,176.58)
Profit /loss from sale of fixed assets (Net)	(25.05)	3.89
Interest received	(126.57)	(183.12)
Extraordinary items	(135.72)	(184.62)
Dividends received	(7.08)	(3.66)
Interest expenses	4,569.00	3,846.44
	<u>6,548.64</u>	<u>4,490.57</u>
	<u>6,900.73</u>	<u>5,539.49</u>
(Increase)/ decrease in trade and other receivables	1,152.97	1,077.21
(Increase)/ decrease in inventories	(6,536.22)	(922.04)
Increase/ (decrease) in trade payables	1,953.21	4,115.61
	<u>(3,430.04)</u>	<u>4,270.78</u>
	<u>3,470.69</u>	<u>9,810.27</u>
Income taxes paid	391.01	986.65
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>3,079.68</u>	<u>8,823.62</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (including CWIP)	(1,928.27)	(1,474.84)
Proceeds from sale of property, plant and equipment	146.69	26.99
(Increase)/decrease in value of investments	(12.81)	(7.58)
Increase in goodwill on consolidation	(1,025.20)	(652.00)
Increase /(decrease) in Minority Interest	(41.27)	117.61
Increase/ (decrease) in Foreign currency translation reserve	1,232.95	992.32
Increase/(decrease) in foreign currency monetary item translation difference account	-	(361.81)
(Increase)/decrease in other bank balances	909.10	368.95
Interest received	126.57	217.04
Dividend received	7.08	3.66
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(585.16)</u>	<u>(769.66)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from ICD's	5,485.00	1,531.06
Repayment of ICD's	(3,896.06)	(100.00)
Proceeds from long term borrowings	72.00	2,708.03
Proceeds from short term borrowings	3,053.25	1,352.00
Fixed deposits from public accepted	219.90	641.24
Repayment of fixed deposits from public	(735.50)	(720.30)
Repayment of preference share capital	(773.59)	(773.59)
Repayment of long term borrowings	(2,247.89)	(1,211.74)
Repayment of short term borrowings	(166.59)	-
Repayment of finance lease obligation	(216.00)	(6,488.45)
Interest paid	(4,455.43)	(3,776.25)
Extraordinary Income	135.72	184.62
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>(3,525.19)</u>	<u>(6,653.38)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,030.67)</u>	<u>1,400.58</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD</b>	<u>3,889.42</u>	<u>2,488.84</u>
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u>2,858.75</u>	<u>3,889.42</u>

In Accordance with our Report attached

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.**,  
Chartered Accountants  
Firm registration number: 002878S  
**CA. C R KRISHNA**  
Partner

**VIJAY R KIRLOSAR**  
Chairman & Managing Director

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

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place: Bangalore  
Date : May 28, 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. BASIS OF CONSOLIDATION**

The financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates ("the Group") used in the preparation of this consolidated financial statements have been drawn up on the same reporting date as that of the parent company i.e. year ended March 31, 2012. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used are as received from it and is unaudited.

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements of the Company and its subsidiaries have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in the countries in which they operate and in the case of the parent company, the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The direct subsidiary of the Company, namely Kirsons BV has been classified as an 'Integral Foreign Operation'. Revenue items denominated in foreign currency have been converted at the average rate prevailing during the year. Non monetary foreign currency assets and liabilities have been accounted at the rate of exchange prevailing on the transaction date. Monetary foreign currency assets and liabilities have been converted at the rates prevailing at the end of the year. Resultant differences have been adjusted in the statement of profit & loss

The step down subsidiaries of the Company referred to in note 5 below have been classified as 'Non Integral Foreign Operations'. Revenue items have been consolidated at the average rate prevailing during the year and all assets and liabilities have been converted at the rates prevailing at the end of the year.

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

**3. PRINCIPLES OF CONSOLIDATION**

- (a) The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled.
- (b) Investments in associates have been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.

**4. SIGNIFICANT ACCOUNTING POLICIES:****4.1 FIXED ASSETS:****(i) Tangible Assets**

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

**(ii) Intangible Assets**

Intangible assets are accounted at cost of acquisition.

**4.2 ASSETS HELD FOR SALE:**

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

**4.3 INVESTMENTS:**

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

**4.4 INVENTORIES:**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

**4.5 DEPRECIATION:**

Parent Company:

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

**LDW**

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

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

**4.6 IMPAIRMENT OF ASSETS:**

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

**4.7 RESEARCH AND DEVELOPMENT EXPENDITURE:**

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

**4.8 REVENUE RECOGNITION:**

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

**4.9 EMPLOYEE BENEFITS:**

- (i) Short Term Employee Benefits:

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

- (ii) Post Employment Benefits:

- (a) Defined Contribution Plans:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Defined Benefit Plans:

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

There were no defined benefit plans at LDW.

**4.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:**

- (a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.
- (b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.
- (c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- (d) In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.
- (e) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period.

**4.11 TAXES ON INCOME:**

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

**4.12 BORROWING COSTS:**

Interest and other borrowing costs on specific borrowings 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 the Statement of Profit & Loss for the year.

**4.13 PROVISIONS & CONTINGENT LIABILITIES:**

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

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

In LDW, a floating provision of 1% is made on the doubtful trade receivables.

**5. THE CONSOLIDATION OF FINANCIAL STATEMENT (CFS) PRESENT THE CONSOLIDATED ACCOUNTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED WITH ITS FOLLOWING SUBSIDIARIES AND ASSOCIATES:**

Name of the company	Ownership Percentage	Country of Incorporation
<b>Subsidiary</b>		
Kirsons BV	100%	The Netherlands
<b>Step down Subsidiaries</b>		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.8949%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
<b>Associate</b>		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33%	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	30%	Malaysia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March, 2012		As at 31st March, 2011	
	Number	₹ in Lakhs	Number	₹ in Lakhs
<b>6 SHARE CAPITAL</b>				
<b>Authorised:</b>				
Preference Shares of Rs.100/- each`	3,000,000	3,000.00	3,000,000	3,000.00
Equity shares of Rs.10/- each	60,000,000	6,000.00	60,000,000	6,000.00
		<u>9,000.00</u>		<u>9,000.00</u>
<b>Issued, subscribed and fully paid up:</b>				
<b>Preference shares of Rs.100/- each</b>				
At the beginning of the reporting period	773,592	773.59	1,547,182	1,547.18
Redeemed during the reporting period	773,592	773.59	773,590	773.59
At the close of the reporting period	-	-	773,592	773.59
<b>Equity shares of Rs.10/- each</b>				
At the beginning of the reporting period	50,521,367	5,052.14	50,521,367	5,052.14
At the close of the reporting period	50,521,367	5,052.14	50,521,367	5,052.14
<b>Total</b>		<u>5,052.14</u>		<u>5,825.73</u>

Other Information:

**I. PREFERENCE SHARES:**

- The Company has issued cumulative preference shares of Rs 100/- each. The preference shareholders did not have voting rights.
- Nil (as at March 31, 2011: 4,00,000) preference shares carry a cumulative dividend of 7% p.a. w.e.f October 1, 2001 payable cumulatively out of the profits of the Company. The rate of dividend can be increased to 9% p.a. by way of redemption premium subject to profitability and cashflows of the Company. These shares have been redeemed on November 9, 2011 without any premium.
- Nil (as at March 31, 2011: 179,855) preference shares carry a cumulative dividend of 6.5% & Nil (as at March 31, 2011: 1,93,737) preference shares carry a cumulative dividend of 8%. These preference shares have been redeemed on March 31, 2012.
- 1,176,746 Preference shares were allotted pursuant to a contract without consideration being received in cash. These preference shareholders were allotted to preference share holders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash.

	As at 31st March, 2012		As at 31st March, 2011	
	Number	₹ in Lakhs	Number	₹ in Lakhs
e. Preference shares bought back during the five years immediately preceding the date of the balance sheet	2,376,746	2,376.75	1,603,154	1,603.15
f. Particulars of preference share holders holding more than 5% of the total number of preference share capital	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
i) IDBI Bank	-	-	508,227	65.70%
ii) Bank of India	-	-	116,318	15.04%

**2 EQUITY SHARES:**

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

	As at 31st March, 2012		As at 31st March, 2011	
	Number	₹ in Lakhs	Number	₹ in Lakhs
b. Equity Shares of Rs.10/- each includes:				
(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipment Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under section 391 - 394 of the Companies Act, 1956. Equity shares so allotted includes 6,174,878 equity shares of Rs.10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.	17,252,550	1,725.26	17,252,550	1,725.26
(ii) Shares allotted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.	2,000,000	200.00	2,000,000	200.00
(iii) Shares allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.	6,000,000	600.00	6,000,000	600.00

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

	As at 31st March, 2012		As at 31st March, 2011	
	Number	Percentage	Number	Percentage
a. Abhiman Trading Company Private Limited	8,337,857	16.50%	8,337,857	16.50%
b. Vijay Jyothi Investment & Agencies Private Limited	6,709,325	13.28%	6,667,447	13.20%
c. KECL Investment Trust	6,174,878	12.22%	6,174,878	12.22%
d. Mr Vijay Ravindra Kirloskar	3,890,811	7.70%	3,890,811	7.70%
e. Vijay Kirthi Investment and Agencies Private Limited	2,734,094	5.41%	2,734,094	5.41%
f. Life Insurance Corporation of India	2,576,571	5.10%	2,576,571	5.10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
<b>7 RESERVES AND SURPLUS:</b>		
<b>a) Capital Reserve</b>		
At the close of the previous reporting period	1,589.39	18.06
Adjustments during the year	126.51	1,571.33
At the close of the reporting period	1,715.90	1,589.39
<b>b) Capital redemption reserve</b>		
At the close of the previous reporting period	2,401.75	1,628.16
Transferred from surplus	-	773.59
At the close of the reporting period	2,401.75	2,401.75
<b>c) Debenture Redemption Reserve</b>		
At the close of the previous reporting period	494.00	494.00
At the close of the reporting period	494.00	494.00
<b>d) Revaluation Reserve</b>		
At the close of the previous reporting period	480.41	480.41
At the close of the reporting period	480.41	480.41
<b>e) Reconstruction Reserve</b>		
At the close of the previous reporting period	641.67	641.67
At the close of the reporting period	641.67	641.67
<b>f) Reserve for Doubtful debts</b>		
At the close of the previous reporting period	90.00	90.00
At the close of the reporting period	90.00	90.00
<b>g) Foreign currency translation Reserve</b>		
At the close of the previous reporting period	(258.35)	(1,250.67)
Adjustments on account of exchange fluctuation	1,232.95	992.32
At the close of the reporting period	974.60	(258.35)
<b>h) Surplus i.e. balance in Statement of Profit &amp; Loss</b>		
At the close of the previous reporting period	11,137.10	11,219.21
Transferred from Profit & Loss Account	343.50	691.48
Transfer to Capital Redemption Reserve	-	(773.59)
At the close of the reporting period	11,480.60	11,137.10
<b>TOTAL CLOSING BALANCE</b>	<b>18,278.93</b>	<b>16,575.97</b>
<b>8 LONG TERM BORROWINGS</b>		
<b>1) Secured Loans:</b>		
a. Finance lease obligations (refer note 47)	265.68	481.68
b. Term loan from Banks	6,456.75	8,324.81
c. Car Loan from Banks	-	1.00
c. Car Loan from a Company	60.14	2.64
	6,782.57	8,810.13
Less:		
Current maturities	2,764.59	2,565.93
	4,017.98	6,244.20
<b>2) Unsecured Loans:</b>		
a. Term Loans		
- from Banks	-	363.72
b. Fixed Deposits	2,509.42	2,656.44
	2,509.42	3,020.16
Less:		
Current Maturities	1,291.02	684.12
	1,218.40	2,336.04
<b>3) Total long term borrowings (1+2)</b>	<b>5,236.38</b>	<b>8,580.24</b>
<b>Additional Information:</b>		
<b>1) Details of security for secured loans:</b>		
a. Against assets purchased on finance lease	265.68	481.68
b. Against first pari passu charge on certain fixed assets and second pari passu charge on current assets and the said credit facilities are guaranteed by the Chairman & Managing director	-	0.99
c. Against security of Motor cars	60.14	3.64
d. Term loan at LDW is secured by first charge on specific Land and building and plant & machinery procured by LDW	578.21	707.06
e. Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in the favour of ICICI Bank, Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of KEC.	5,878.54	7,616.76

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
<b>2) Terms of repayment of term loans and others</b>		
<b>a) Finance lease</b>		
Finance lease relate to Plant & Machinery taken for a period of five years. Interest on such lease is ranging between 13% to 14% p.a. Average equated monthly instalment is Rs.18.40 lakhs per month.		
<b>b) Car Loans:</b>		
Car loans are for a period of three to five years and interest rate is ranging from 9% to 10% p.a. Average equated monthly instalment is about ₹ 2.52 lakhs per month		
c) One of the term loans at LDW is for a period of three years and carries an interest rate of 8.73% and repayable in monthly instalment of Euro 15,661 and an other term loan for a period of ten years carrying an interest rate of Euribor + 2.5% and repayable in 40 quarterly instalments amounting to Euro 25,000/-		
d) Termloan of Kirsons BV is repayable in 20 quarterly equal instalments of Euro 850,000 and carrying an interest rate of Euribor + 2%		
<b>3) Unsecured Loans:</b>		
a) Fixed deposits are taken for a period of 24 and 36 months with a interest rate ranging from 11.5% to 13.5%		
b) Loan was taken with an interest rate of 12% p.a. repayable in 25 monthly instalments of ₹ 1 crore each.		
<b>9 DEFERRED TAX:</b>		
<b>IN INDIA</b>		
<b>i) Deferred tax liability:</b>		
a) On account of depreciation on fixed assets	1,765.62	2,043.00
b) On account of timing differences in recognition of expenditure		
Total	<u>1,765.62</u>	<u>2,043.00</u>
<b>ii) Deferred tax asset:</b>		
a) On account of timing differences in recognition of expenditure	440.43	587.00
b) On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961 (restricted to)	1,325.19	1,456.00
	<u>1,765.62</u>	<u>2,043.00</u>
<b>Net Deferred tax (liability)/asset</b>	<u>-</u>	<u>-</u>
<b>IN GERMANY</b>		
<b>i) Deferred tax liability:</b>		
a) Dissolution from supplementary tax balance sheet	-	198.12
b) On account of timing differences in recognition of expenditure	0.46	0.42
Total	<u>0.46</u>	<u>198.54</u>
<b>ii) Deferred tax asset:</b>		
a) On account of depreciation on fixed assets	1,345.24	23.64
b) On account of timing differences in recognition of expenditure	15.58	1,655.86
c) On account of Unabsorbed losses and depreciation available under the relevant fiscal legislations.	279.02	
	<u>1,639.84</u>	<u>1,679.50</u>
<b>Net Deferred tax asset</b>	<u>1,639.38</u>	<u>1,480.96</u>
<b>Total Net Deferred tax asset</b>	<u>1,639.38</u>	<u>1,480.96</u>
<b>10 OTHER LONG TERM LIABILITIES</b>		
Security deposits from suppliers, dealers etc	690.45	663.30
	<u>690.45</u>	<u>663.30</u>
<b>11 LONG TERM PROVISIONS</b>		
Provisions for employee defined benefit plans	1,047.15	1,534.13
	<u>1,047.15</u>	<u>1,534.13</u>
<b>12 SHORT TERM BORROWINGS</b>		
<b>1) Secured Loans:</b>		
a) Loans repayable on demand		
- from banks	15,145.83	11,719.17
b) Loan against pledge of fixed deposit from Bank	43.78	583.78
	<u>15,189.61</u>	<u>12,302.95</u>
<b>2) Unsecured Loans:</b>		
a) Fixed Deposits	136.92	505.50
b) SICOM Sales Tax Loan	11.19	11.19
c) Inter corporate Deposits	3,020.00	1,431.06
d) Other Loans and advances	12.24	142.24
	<u>3,180.35</u>	<u>2,089.99</u>
<b>Total</b>	<u>18,369.96</u>	<u>14,392.94</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
<b>Additional Information:</b>		
<b>1) Details of security for secured loans</b>		
a) 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. All the loans carry an interest of around 13% to 14%	9,473.29	8,969.88
b) Against pledge of fixed deposits	43.78	583.78
c) Working capital facilities at LDW are secured by first charge on current assets and second charge on all fixed assets excluding assets charged to term lenders and carry an interest about 6%	5,672.54	2,749.29
<b>2) Unsecured loans</b>		
a) Fixed deposits are taken for a period of 12 months with interest rates ranging from 11.5% to 12%		
b) Fixed deposits accepted from related parties amount to Rs.45 (as at March 31, 2011: Rs.35 )		
c) ICDs are taken for periods ranging between 90 to 360 days with interest rates ranging from 13% to 16% per annum		
d) Fixed deposits include Rs.1.02 (as at March 31, 2011: Rs.1.02) matured unclaimed deposits.		
<b>13 TRADE PAYABLES</b>		
i) Trade payables	21,829.62	22,513.49
ii) Acceptances	7,134.13	5,092.19
	<u>28,963.75</u>	<u>27,605.68</u>

**Additional Information:**

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

(₹ in Lakhs)

SI No.	Particulars	As at 31st March 2012	As at 31st March 2011
1	Principal amount due and remaining unpaid	598.52	216.48
2	Interest due on (1) above and the unpaid interest	Not ascertained	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	Not ascertained	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	Nil	NIL
6	Interest accrued and remaining unpaid	Nil	NIL
7	Amount of further interest remaining due and payable in succeeding years	Not ascertained	Not ascertained

**14 OTHER CURRENT LIABILITIES:**

a) Current maturities of long term debt	2,514.67	2,349.14
b) Current maturities of finance lease obligations	220.90	215.54
c) Current maturities of Car Loan from bank and a Company	29.02	1.25
d) Current maturities of Fixed Deposit	1,291.02	320.40
e) Current maturities of unsecured loan from bank	-	363.72
f) Interest accrued but not due on loans & deposits	240.13	126.56
g) Statutory liabilities	649.60	739.46
h) Other liabilities	337.13	293.07
i) Trade advances	8,489.17	7,875.38
	<u>13,771.64</u>	<u>12,284.52</u>

**15 SHORT TERM PROVISIONS:**

a) Provision for employee defined benefit plans	44.64	19.00
b) Provision for Wage arrears	336.16	-
c) Provision for Warranty	667.18	714.44
d) Provision for stamp duty	619.21	659.58
e) Provision for tax (Net of advance tax outside India)	5.35	3.91
	<u>1,672.54</u>	<u>1,396.93</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FIXED ASSETS:

(₹ in Lakhs)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at beginning of current reporting period	Additions for the year	Adjustments on account of exchange fluctuation	Deduct-ions during the year	As at end of current reporting period	As at beginning of current reporting period	For the year	Adjustments on account of exchange fluctuation	Deduct-ions	As at end of current reporting period	As at end of current reporting period	As at end of previous reporting period
<b>Tangible Assets</b>												
<b>Own assets</b>												
Land	1,665.54	-	35.16	-	1,700.70	-	-	-	-	-	1,700.70	1,665.54
Building (*)	6,032.85	29.87	78.75	-	6,141.47	1,579.56	239.79	23.21	-	1,842.56	4,298.91	4,453.29
Plant & Machinery	20,266.74	598.55	342.45	1,171.01	20,036.73	11,407.74	1,311.35	222.77	647.99	12,293.87	7,742.86	8,859.00
Tools & Jigs	1,285.77	46.67	-	-	1,332.44	596.12	118.18	-	-	714.30	618.14	689.65
Electrical Installations	202.08	-	-	-	202.08	72.61	10.48	-	-	83.09	118.99	129.47
Office equipment	1,714.87	227.34	112.37	51.76	2,002.82	1,153.77	200.06	84.36	30.38	1,407.81	595.01	561.10
Motor Vehicles	425.53	109.06	2.79	10.51	526.87	217.31	36.23	1.87	2.16	253.25	273.62	208.22
Furniture & Fittings	821.26	20.18	-	8.39	833.05	527.20	47.23	-	6.13	568.30	264.75	294.06
Leasehold Improvements	313.35	-	-	-	313.35	33.36	10.47	-	-	43.83	269.52	279.99
<b>Assets taken on finance lease</b>												
Land (\$)	1,451.99	-	-	-	1,451.99	-	-	-	-	-	1,451.99	1,451.99
Plant & Machinery	1,033.39	-	-	-	1,033.39	414.99	294.33	-	-	709.32	324.07	618.40
	35,213.37	1,031.67	571.52	1,241.67	35,574.89	16,002.66	2,268.12	332.21	686.66	17,916.33	17,658.56	19,210.71
<b>Intangible assets</b>												
Goodwill	423.46	-	-	-	423.46	423.46	-	-	-	423.46	-	-
Computer Software	1,229.58	211.81	67.63	62.61	1,446.41	715.03	212.53	47.55	38.54	936.57	509.84	514.55
Technical knowhow & product development	147.93	-	-	-	147.93	129.27	6.22	-	-	135.49	12.44	18.66
	1,800.97	211.81	67.63	62.61	2,017.80	1,267.76	218.75	47.55	38.54	1,495.52	522.28	533.21
<b>TOTAL</b>	<b>37,014.34</b>	<b>1,243.48</b>	<b>639.15</b>	<b>1,304.28</b>	<b>37,592.69</b>	<b>17,270.42</b>	<b>2,486.87</b>	<b>379.76</b>	<b>725.20</b>	<b>19,411.85</b>	<b>18,180.84</b>	<b>19,743.92</b>
	(35,218.29)	(1,506.68)	(334.16)	(44.81)	(37,014.32)	(14,922.74)	(2,188.22)	(173.38)	(13.93)	(17,270.41)		

Additional information:

- \* Includes ₹ 33.37 being the cost of ownership premises taken in possession for which Society is to be formed.
- \$ Land taken on lease from KIADB aggregates to ₹ 69.58. On expiry of lease periods, payment of balance considerations if any, and execution of sale deed, the relevant title will pass to the Company.
- \*\$ Leasehold land and buildings aggregating to ₹ 1,570.37 are subject to registration. Provision has been made for estimated stamp duty and registration charges payable.

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
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17 CAPITAL WORK IN PROGRESS:

a) Tangible assets:

i) Plant and Machinery	25.70	-
ii) Building under Construction	369.46	203.81
	<u>395.16</u>	<u>203.81</u>
Less:		
Provision for impairment	-	-
	<u>395.16</u>	<u>203.81</u>

b) Intangible assets under development:

i) Models, Designs & Prototypes	234.05	-
	<u>234.05</u>	<u>-</u>

# KIRLOSKAR ELECTRIC COMPANY LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Details of Investments	Name of the Company	As at March 31, 2012			As at March 31, 2011		
		No of Shares	Face Value	₹ In Lakhs	No of Shares	Face Value	₹ In Lakhs
<b>18 NON CURRENT INVESTMENTS:</b>							
<b>a) Investments in Equity Instruments:</b>							
i) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd.						
	Kuala Lumpur, Malaysia	300,000	MR1	63.51	300,000	MR1	64.41
	Electrical Machines Industries (Bahrain) WLL			64.85			51.14
ii) Others							
Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	1,081	10	1.00	1,081	10	1.00
	Kirloskar Computer Services Ltd						
	(refer note 3 below)	200,000	10	-	200,000	10	-
	The Mysore Kirloskar Ltd (refer note 3 below)	770,750	10	-	770,750	10	-
	Kirloskar Proprietary Ltd	26	100	1.28	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K.Sh 1000	8.53	1,272	K.Sh 1,000	8.53
	Kirsons Trading Pte.Ltd	56,250	S \$1	11.20	56,250	S \$1	11.20
	Kirloskar Power Equipments Ltd	340,000	10	59.09	340,000	10	59.09
<b>b) Investments in debentures or bonds</b>							
i) Others							
Fully paid up							
	The Mysore Kirloskar Ltd (refer note 3 below)	30,000	44	-	30,000	44	-
<b>Total</b>				<b>209.46</b>			<b>196.65</b>

**Additional Information:**

1) Aggregate value of quoted investments:		
Cost	1.00	1.00
Market Value	9.59	12.03
2) Aggregate value of unquoted investments:		
Cost	208.46	195.65
3) Securities in The Mysore Kirloskar Limited and Kirloskar Computer Services Limited have been written off.		

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
<b>19 LONG TERM LOANS AND ADVANCES:</b>		
<b>(UNSECURED, CONSIDERED GOOD)</b>		
i) Capital advances	106.66	288.20
ii) Security Deposits	323.00	254.18
iii) Loans and advances to related parties (refer note 43)	280.00	280.00
iv) Disputed tax liabilities/ taxes refundable	739.94	739.94
	<b>1,449.60</b>	<b>1,562.32</b>
<b>Additional information:</b>		
Debts from a private company in which a director of the Company is a director	100.00	100.00
<b>20 OTHER NON CURRENT ASSETS</b>		
<b>(UNSECURED, CONSIDERED GOOD)</b>		
i) Long term trade receivables	205.67	59.54
ii) Other bank balances - Margin Money	2,504.26	3,413.36
iii) Advance payment of tax -(Net)	306.28	83.72
	<b>3,016.21</b>	<b>3,556.62</b>

# SIXTY FIFTH ANNUAL REPORT 2011 - 12

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
<b>21 INVENTORIES:</b>		
i) Raw materials, Stores, spares and components	6,224.97	5,135.76
ii) Work in progress	15,119.68	9,608.94
iii) Finished goods	1,436.42	1,519.50
iv) Others	10.67	122.30
Goods in transit:		
i) Raw materials, Stores, spares and components	201.82	118.89
ii) Finished goods	48.05	-
	<u>23,041.61</u>	<u>16,505.39</u>
<b>22 TRADE RECEIVABLES:</b>		
i) Trade receivables exceeding six months	9,589.00	5,942.93
ii) others	14,561.44	19,793.12
	<u>24,150.44</u>	<u>25,736.05</u>
Less: Allowance for doubtful debts	672.07	1,330.02
	<u>23,478.37</u>	<u>24,406.03</u>
<b>Additional information:</b>		
1) Breakup of above:		
i) Unsecured, considered good	23,478.37	24,406.03
ii) Doubtful	672.07	1,330.02
<b>Total</b>	<u>24,150.44</u>	<u>25,736.05</u>
Less: Allowance for doubtful debts	672.07	1,330.02
	<u>23,478.37</u>	<u>24,406.03</u>
2) Debts due from private companies in which directors of the Company are directors	5.00	1.10
<b>23 CASH AND CASH EQUIVALENTS:</b>		
i) Balances with banks		
- in deposit accounts not exceeding 12 months maturity	288.50	1,157.22
- in other accounts	2,544.42	2,712.61
ii) Cheques, drafts on hand	-	9.00
iii) Cash on hand	25.83	10.59
	<u>2,858.75</u>	<u>3,889.42</u>
<b>24 SHORT TERM LOANS AND ADVANCES:</b>		
i) Loans and advances to related parties (refer note 43)	558.35	357.00
ii) Others	1,473.91	3,178.54
	<u>2,032.26</u>	<u>3,535.54</u>
Less:		
Allowance for doubtful advances	297.53	850.32
	<u>1,734.73</u>	<u>2,685.22</u>
<b>Additional information:</b>		
1) Breakup of above:		
i) Unsecured, considered good	1,734.73	2,685.22
ii) Doubtful	297.53	850.32
<b>Total</b>	<u>2,032.26</u>	<u>3,535.54</u>
Less: Allowance for doubtful advances	297.53	850.32
	<u>1,734.73</u>	<u>2,685.22</u>
2) Debts due from private companies in which directors of the Company are directors	530.22	306.90
<b>25 OTHER CURRENT ASSETS</b>		
i) Central Excise Receivable	547.74	831.00
ii) VAT receivable	1,132.43	157.40
iii) Assets Held for sale (refer note 42)	793.09	335.65
	<u>2,473.26</u>	<u>1,324.05</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
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**26 CONTINGENT LIABILITIES AND COMMITMENTS OF THE COMPANY AND ITS SUBSIDIARIES  
(TO THE EXTENT NOT PROVIDED FOR)**

<b>(a)</b>	<b>CONTINGENT LIABILITIES:</b>		
i)	Claims against the Company not acknowledged as debts. The Company has made counter claim against one of the parties amounting to ₹ 129 (as at the end of the previous reporting period ₹ 129).	<b>2,683.09</b>	2,564.91
ii)	Guarantees	<b>13,078.92</b>	17,255.71
iii)	Letters of credit	<b>3,026.35</b>	3,592.82
iv)	Bills discounted with Bank	<b>2,030.72</b>	2,615.12
v)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 lakhs paid has been included in loans and advances.	<b>91.54</b>	91.54
vi)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	<b>183.52</b>	62.09
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 701.94 lakhs against the demand which has been included in Loans & advances.	<b>2,237.80</b>	2,121.94
viii)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	<b>45.99</b>	45.99
ix)	Sales tax liabilities in respect of pending assessments - C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	<b>Not Ascertainable</b>	Not Ascertainable
x)	Interest if any, on account of delays in payment to suppliers.	<b>Not Ascertainable</b>	Not Ascertainable
xi)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers. Will be charged to revenue in the year of final claim.	<b>Not Ascertainable</b>	Not Ascertainable
xii)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	<b>Not Ascertainable</b>	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However, provision has been made on estimated basis and differences, if any will be accounted on final settlement.	<b>Not Ascertainable</b>	Not Ascertainable
xiv)	Arrears of fixed cumulative dividends on preference shares (including tax thereon).	<b>1,154.82</b>	1,071.74
xv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at the end of the previous reporting period ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	<b>405.60</b>	405.60
xvi)	Income tax demands under appeal.	<b>174.98</b>	93.07

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

**b) Commitments**

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	<b>305.99</b>	1,047.87
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the current Reporting Period	For the Previous Reporting Period
<b>27 REVENUE FROM OPERATIONS:</b>		
i) Sale of products		
Motors, Alternators & Generators	64,792.31	60,464.32
Transformers	30,147.81	29,813.23
DG Sets	13,508.22	11,079.18
Others	8,095.91	14,410.46
<b>Total</b>	<b>116,544.25</b>	<b>115,767.19</b>
ii) Sale of services	308.12	75.98
	<b>116,852.37</b>	<b>115,843.17</b>
Less:		
Excise duty	7,727.64	7,134.44
	<b>109,124.73</b>	<b>108,708.73</b>
<b>28 OTHER INCOME:</b>		
i) Interest income	126.57	183.12
ii) Dividend Income from long term investments	7.08	3.66
iii) Profit on sale of fixed assets (Net)	25.05	0.78
iv) Other non operating income	72.18	-
v) Provision no longer required withdrawn	398.70	130.25
vi) Rent Received	89.86	90.72
vii) Miscellaneous Income	125.56	365.14
	<b>845.00</b>	<b>773.67</b>
<b>29 COST OF MATERIALS CONSUMED:</b>		
Consumption of raw materials, components, stores & spare parts*	78,263.78	74,629.16
	<b>78,263.78</b>	<b>74,629.16</b>
* Value of stores and spare parts not ascertained separately		
<b>30 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:</b>		
Stocks at the end of the year		
i) Work in progress		
Motors, Alternators & Generators	12,381.13	7,195.40
Transformers	1,599.66	1692.61
DG Sets	1,116.60	619.95
Others	22.29	100.98
<b>Total</b>	<b>15,119.68</b>	<b>9,608.94</b>
ii) Finished goods		
Motors, Alternators & Generators	1,087.88	866.18
Transformers	249.26	586.79
DG Sets	95.53	59.96
Others	51.80	6.57
<b>Total</b>	<b>1,484.47</b>	<b>1,519.50</b>
iii) Scrap	10.67	3.42
	<b>16,614.82</b>	<b>11,131.86</b>
Less:		
Stocks at the beginning of the year		
i) Work in progress		
Motors, Alternators & Generators	7,195.41	8,238.51
Transformers	1,692.61	828.67
DG Sets	619.95	1,059.56
Others	100.98	42.74
<b>Total</b>	<b>9,608.95</b>	<b>10,169.48</b>
ii) Finished goods		
Motors, Alternators & Generators	866.18	1,162.81
Transformers	586.79	445.51
DG Sets	59.96	14.80
Others	6.57	42.86
<b>Total</b>	<b>1,519.50</b>	<b>1,665.98</b>
iii) Scrap	3.42	12.41
	<b>11,131.87</b>	<b>11,847.87</b>
	<b>(5,482.95)</b>	<b>716.01</b>

# KIRLOSKAR ELECTRIC COMPANY LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the current Reporting Period	For the Previous Reporting Period
<b>31 EMPLOYEE BENEFIT EXPENSES:</b>		
i) Salaries, wages and bonus	14,619.97	13,275.91
ii) Contribution to provident and other funds	1958.83	2,240.22
iii) Remuneration to whole time directors	229.55	237.65
iv) Staff welfare expenses	1,090.98	874.73
	<b>17,899.33</b>	<b>16,628.51</b>
<b>32 FINANCE COSTS:</b>		
i) Interest expense	3,503.53	3,160.86
ii) Loss on derivatives	311.49	-
iii) Other borrowing costs	753.98	685.58
	<b>4,569.00</b>	<b>3,846.44</b>
<b>33 DEPRECIATION AND AMORTIZATION:</b>		
i) Depreciation	2,268.12	2,008.68
ii) Amortization of intangible assets	218.75	179.54
	<b>2,486.87</b>	<b>2,188.22</b>
<b>34 OTHER EXPENSES:</b>		
i) Power and fuel	1,427.75	1,386.20
ii) Rent	830.44	807.22
iii) Repairs to buildings	214.10	59.03
iv) Repairs to machinery	373.64	279.41
v) Repairs to others	659.79	722.60
vi) Vehicle maintenance	34.33	-
vii) Insurance	402.49	363.89
viii) Rates and taxes	157.65	144.48
ix) Payment to auditors	107.34	88.23
x) Selling expenses	3,037.12	2,828.09
xi) Commission	102.16	-
xii) Warranty claims	237.28	112.81
xiii) Allowance for doubtful trade receivables	94.00	150.00
xiv) Net loss on foreign currency transaction	394.24	18.60
xv) Bad trade receivables written off	751.95	667.00
Less: Allowance for doubtful trade receivable withdrawn	751.95	667.00
xvi) irrecoverable loans and advances written off	552.79	364.82
Less: Allowance for doubtful loans & advances withdrawn	552.79	364.82
xvii) Loss on sale of fixed asset (net)		3.89
xviii) Donations	157.69	11.63
xix) Legal and professional charges	1,357.68	1,478.36
xx) Travelling	1,324.99	1,263.42
xxi) Printing and stationary	97.97	98.91
xxii) Postage, telgrams & telephones	163.17	167.42
xxiii) Directors sitting fees	10.80	9.01
xxiv) Uninstalled machinery written off	-	0.50
Less: Allowance for uninstalled machinery withdrawn	-	0.50
xxv) Miscellaneous expenses	1,090.63	594.16
	<b>12,275.26</b>	<b>10,587.36</b>
<b>35 PRIOR PERIOD ITEMS:</b>		
i) Income	-	66.90
ii) Expenses	197.50	85.68
<b>36 EARNINGS PER SHARE:</b>		
<b>(BASIC &amp; DILUTED)</b>		
Profit for the year after tax expense	343.50	691.48
Less:		
Preference dividend payable including dividend tax	83.08	121.00
	<b>260.42</b>	<b>570.48</b>
Weighted average number of equity shares	50,521,367	50,521,367
Earning per share	<b>0.52</b>	<b>1.13</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. (a) The order of the Honourable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17,2008.
- (b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honourable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 589.22 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.
- (c) The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.
38. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
39. (a) Confirmation of balances from sundry debtors, deposit accounts, loans and advances, certain creditors etc have not been obtained. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding in India as at March 31, 2012 for more than 2 years of ₹ 2,911.29, the Company holds a provision of ₹ 525.05. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.
- (b) The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹ 1,116.95 and 561.94 have been included in Current assets and current liabilities respectively. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.
40. (a) The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.
- (b) The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be refined/improved to bring in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.
41. (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2012 have been based on moving weighted average and labour/overheads absorption methods configured in the said system as against other cost basis used in the Previous reporting period. Effect of such change on the revenue for the year is not ascertained.
- (b) Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.
42. Assets held for sale have been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.
43. (a) Current Assets, Loans & Advances include ₹ 431.93 (as at Previous reporting Period ₹ 236.92) being rescheduled advances from certain other Companies.
- (b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

## 44. Disclosures as per Accounting Standard 15 "Employee Benefits":

**Defined Contribution Plan:**

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

(₹ lakhs)

	Current reporting period	Previous reporting period
Employer's Contribution to provident & pension funds	355.83	353.29
Employer's Contribution to superannuation fund	105.29	113.95
Employer's contribution to social security at LDW	1,426.33	1,445.93

**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Current reporting period		Previous reporting period	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
<b>1. Reconciliation of opening and closing balances of defined benefit obligation:</b>				
Defined Benefit obligation at beginning of the year	2477.03	432.08	2,256.43	424.69
Current Service Cost	119.32	96.66	119.13	76.50
Interest Cost	172.56	34.45	165.02	30.09
Additional provision for increase in limit of gratuity/ in excess of limit	25.81	-	181.38	-
Actuarial (gain)/ loss	(133.52)	(62.22)	(18.12)	(37.09)
Benefits Paid	(277.25)	-	(226.81)	(62.11)
Defined Benefit obligation at end of the year	2383.95	500.97	2,477.03	432.08
<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	1537.95	44.10	1,189.63	-
Expected return on plan assets	144.12	7.62	122.36	2.06
Employer Contribution	270.63	73.95	454.33	43.87
Benefits paid	(277.25)	-	(226.81)	-
Actuarial gain/(loss)	(5.48)	(2.51)	(1.56)	(1.83)
Fair value of plan assets at year end	1669.97	123.16	1,537.95	44.10
<b>3. Reconciliation of fair value of assets and obligations:</b>				
Fair value of plan assets	1669.97	123.16	1,537.95	44.10
Present value of obligation	2383.95	500.97	2,477.03	432.08
Amount recognized in Balance Sheet under liabilities:	713.98	359.52	939.08	387.98
<b>4. Expense recognized during the year:</b> (under "Note 31" Employee Benefit Expenses" in the Statement of Profit and Loss account)				
Current Service Cost	119.32	96.66	119.13	76.50
Interest Cost	172.56	34.45	165.02	30.09
Expected return on plan assets	(144.12)	(7.62)	(122.36)	(2.06)
Additional provision for increase in limit of gratuity/ in excess of limit	25.81	-	181.38	-
Actuarial (gain)/ loss	(128.04)	(41.91)	(16.56)	(35.26)
<b>Net Cost</b>	<b>45.53</b>	<b>81.58</b>	326.61	69.27
<b>5 Actuarial assumptions:</b>	<b>1994 – 96</b>	<b>1994 – 96</b>	1994 – 96	1994 – 96
Mortality Table (LIC)	(Ultimate)	(Ultimate)	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.60%	8.60%	7.70%	7.70%
Expected rate of return on plan assets (per annum)	9.40%	9.40%	9.25% to 9.40%	9.40%
Rate of escalation in salary (per annum)	7%	7%	7%	7%

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

**45. Segment Reporting:**

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

(₹ in Lakhs)

Particulars	Primary Segment			Total
	Power Generation & Distribution Group	Rotating Machines Group	Others	
<b>1 Segment Revenues</b>				
External Revenues	<b>46,369.66</b> (46,467.60)	<b>63,566.02</b> (64,016.52)	<b>6,916.69</b> (5,359.05)	<b>116,852.37</b> (115,843.17)
Intersegment revenues	<b>871.16</b> (451.57)	<b>2,026.74</b> (1,661.43)	<b>47.93</b> (370.23)	<b>2,945.83</b> (2,150.02)
Total Revenues	<b>47,240.82</b> (46,919.17)	<b>65,592.76</b> (65,677.95)	<b>6,964.62</b> (5,396.07)	<b>19,978.20</b> (117,993.19)
<b>2 Segment Results:</b>				
Profit Before Taxation and Interest	<b>2,953.15</b> (3,711.69)	<b>5,994.33</b> (4,878.16)	<b>2,722.97</b> (1,174.32)	<b>11,670.45</b> (9,764.17)
Less: Interest				<b>4,569.00</b> (3,846.44)
Less: Depreciation & Amortizations				<b>2,486.87</b> (2,188.22)
<b>3 Unallocable Expenditure</b>				<b>4,554.43</b> (3,597.43)
<b>4 Unallocable &amp; Other Income (including Extraordinary items)</b>				<b>264.48</b> (958.29)
<b>5 Less: Tax (including FBT)</b>				<b>8.59</b> (357.44)
<b>6 Share of Profits/ (losses) in the Associates (Net)</b>				<b>8.69</b> (4.29)
<b>7 Minority interest – Share of Profits/(losses)</b>				<b>-15.36</b> (45.74)
<b>Total Profit</b>				<b>340.09</b> (691.48)
<b>8 Segment Assets</b>	<b>17,128.78</b> (20,281.59)	<b>35,557.98</b> (30,335.08)	<b>1,677.82</b> (2,518.96)	<b>54,364.58</b> (53,135.63)
<b>9 Unallocable Assets</b>				<b>38,899.27</b> (35,949.40)
<b>10 Segment Liabilities</b>	<b>17,667.79</b> (16,823.28)	<b>26,609.91</b> (17,864.73)	<b>681.18</b> (1,534.01)	<b>44,958.89</b> (36,222.03)
<b>11 Unallocable Liabilities</b>				<b>24,792.98</b> (30,235.71)
<b>12 Capital Expenditure</b>	<b>331.74</b> (116.67)	<b>928.00</b> (1,304.80)	<b>14.55</b> (0.13)	<b>1,274.29</b> (1,421.60)
<b>13 Unallocated capital expenditure</b>				<b>203.24</b> (85.08)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Geographical Segment:

(₹ in Lakhs)

Particulars	Segment revenue by geographical Market	
	Current reporting period	Previous reporting period
Sales in India	91,120.02	89,521.98
Sales outside India	25,732.35	26,321.19
<b>Total</b>	<b>116,852.37</b>	115,843.17

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

(₹ in Lakhs)

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	As at March 31, 2012	As at March 31, 2011	Current reporting period	Previous reporting period
Located in India	55,684.18	57,986.79	649.53	936.52
Located outside India	37,579.67	31,098.24	828.00	570.16
<b>Total</b>	<b>93,263.85</b>	89,085.03	<b>1,477.53</b>	1,506.68

46. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik (upto October 11, 2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (from September 23, 2010)	Key management personnel and their Relatives.
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
3	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri 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 Kirloskar Electric Charitable Trust KEC Executives and Other Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which key management personnel and their relatives are able to exercise significant influence

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DETAILS OF TRANSACTIONS:

(₹ in Lakh's)

Nature of transactions	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	Nil (Nil)	Nil (Nil)	327.15* (236.13)
Sale of goods/fixed assets/services	Nil (Nil)	199.90# (259.86)	2.63^ (54.86)
Purchase of Motor vehicles from Ravindu Motors Private Limited	Nil (Nil)	Nil (Nil)	Nil (45.14)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	Nil (Nil)	Nil (Nil)	Nil (52.33)
Rent received from Ravindu Motors Private Limited	Nil (Nil)	Nil (Nil)	26.47 (24)
Dividend received	Nil (Nil)	284 # (Nil)	Nil (Nil)
Rent paid	Nil (15.95)	Nil (Nil)	430.07## (414.87)
Donations Paid to Kirloskar Electric Charitable Trust	Nil	Nil	150.00 (-)
Investments as at March 31, 2012	Nil (Nil)	5.29# (5.29)	28.17++ (28.17)
Irrecoverable advances written off during the year	Nil (Nil)	Nil (Nil)	Nil (322.46 ) \$
Amount due to Company as at March 31, 2012	Nil (Nil)	37.60# (43.94)	843.14!! (594.56)
Amount due from Company as at March 31, 2012	Nil (Nil)	(Nil)	1.88 \$\$ (67.46)
Remuneration paid	266.72 ^^^ (246.38)	(Nil)	(Nil)
Fixed deposit renewed/ accepted during the year	45** (35)	Nil (Nil)	40 @ (Nil)
Fixed deposit outstanding as at March 31, 2012	45** (35)	(Nil)	40 @ (Nil)
Interest on fixed deposit	4.51 *** (4.23)	(Nil)	3.59 @@ (Nil)
Redemption of Preference Shares to Abhiman Trading Company	Nil (Nil)	Nil (Nil)	4.67 (4.67)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	9,473.29 (8,970.88)	Nil	Nil

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

\* Includes Purchases of goods/services from Kirloskar Batteries Pvt. Ltd. ₹ 51.75 (Previous reporting period ₹ 47.71), Vijay Farms Pvt. Ltd. ₹ 70.58 (Previous reporting period ₹ 63.71), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 125.29 (Previous reporting period ₹ 86.46), Vijay Jyothi Investment and Agencies Pvt. Ltd. ₹ 2.73 (Previous reporting period ₹ 2.84), Ravindu Motors Pvt. Ltd. ₹ 0.97 (Previous reporting period ₹ Nil), Vijay Kirthi Investment Pvt. Ltd. ₹ 1.20 (Previous reporting period ₹ Nil) Kirloskar Electric Charitable Trust ₹ 13.98 (Previous reporting period ₹ Nil) and Abhiman Trading Company Pvt. Ltd. ₹ 60.65 (Previous reporting period ₹ 35.41).

# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- ^ Includes sales to Kirloskar Power Equipments Limited ₹ 2.55 (Previous reporting period ₹ Nil) Kirloskar Electric Charitable Trust ₹ 0.08 (Previous reporting period ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ Nil (Previous reporting period ₹ 54.86).
- ## Includes rent paid to Kirloskar Power Equipments Limited ₹ 240.00 (Previous reporting period ₹ 222.00), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 172.07 (Previous reporting period ₹ 156.00), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 18 (Previous reporting period ₹ 18) and Kirloskar Batteries Pvt. Ltd. ₹ Nil (Previous reporting period ₹ 18.87).  
Investments in Kirloskar Power Equipments Limited ₹ 28.17 (as at March 31, 2011 ₹ 28.17)
- \$\$ includes amount due to Kirloskar Batteries Pvt. Ltd. ₹ Nil (as at March 31, 2011 ₹ 67.46), Kirloskar Electric Charitable Trust ₹ 1.76 (as at March 31, 2011 ₹ Nil) and Vijay Kirthi Investment and Agencies Pvt. Ltd. ₹ 0.12 (as at March 31, 2011 ₹ Nil).
- \$ Represents Kirloskar Computer Services Limited
- \*\* Represents deposits renewed/accepted from Mrs. Meena Kirloskar ₹ 25 (Previous reporting period ₹ 25) and Ms. Rukmini Kirloskar ₹ 20 (Previous reporting period ₹ 10)
- !! Includes due from Kirloskar Power Equipments Limited ₹ 306.86 (as at March 31, 2011 ₹ 312.46), Vijay Farms Pvt. Ltd. ₹ 173.39 (as at March 31, 2011 ₹ 178.48), Vijay Jyothi Investments and Agencies Pvt. Ltd. ₹ 98.28 (as at March 31, 2011 ₹ 44.10), Abhiman Trading Company Pvt. Ltd. ₹ 40.80 (as at March 31, 2011 ₹ 34.05), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 13.33 (as at March 31, 2011 ₹ 24.39) Kirloskar Batteries Pvt. Limited ₹ 204.41 (as at March 31, 2011 ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ 4.79 (as at March 31, 2011 ₹ 1.08).
- \*\*\* Represents interest paid to Mrs. Meena Kirloskar ₹ 2.88 (Previous reporting period ₹ 3.79) and Ms. Rukmini Kirloskar ₹ 1.62 (Previous reporting period ₹ 0.54)
- ^^^ Includes paid to Vijay R Kirloskar ₹ 137.16 (Previous reporting period ₹ 137.16), Mr. P S Malik ₹ Nil (Previous reporting period ₹ 61.73), Mr. Anuj Pattanaik ₹ 129.24 (Previous reporting period ₹ 38.76) but does not include accrued gratuity compensated absences (since liability has been recognized for the Company as a whole), free use of Company Car and communication facilities.
- ^^^ Includes Ms. Meena Kirloskar ₹ 0.90 (Previous reporting period ₹ 0.73), Ms. Janaki Kirloskar ₹ 2.72 (Previous reporting period ₹ 2.40) and Ms. Rukmini Kirloskar ₹ 6.39 (Previous reporting period ₹ 5.60).
- @ Includes received from KEC Executives and Other Officers Welfare Trust ₹ 10.00 (Previous reporting period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 10.00 (Previous reporting period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 15.00 (Previous reporting period ₹ Nil), and KEC Engineers of Mysore Unit Welfare Trust ₹ 5.00 (Previous reporting period ₹ Nil).
- @@ Includes interest paid to KEC Executives and Other Officers Welfare Trust ₹ 0.95 (Previous reporting period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 0.95 (Previous reporting period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 1.32 (Previous reporting period ₹ Nil), and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.37 (Previous reporting period ₹ Nil)

**47. Finance Leases:**

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

(₹ in Lakhs)

Particulars	Total minimum lease payments outstanding as at March 31, 2012	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2012
Within One year	239.94 (262.55)	19.04 (48.01)	220.90 (214.54)
Later than one year but not later than five years	51.02 (288.85)	6.25 (21.71)	44.78 (267.14)
<b>Total</b>	<b>290.96</b> (551.40)	<b>25.29</b> (69.72)	<b>265.68</b> (481.68)

48. 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 ₹ 830.44 (₹ 807.22).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(₹ in Lakhs)

Particulars	Wage Arrears	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	- (70)	659.58 (720.36)	714.44 (687.51)
Provision for the year including exchange fluctuation (net)	336.16 (-70)	-40.37 (-60.78)	-26.93 (112.81)
Balance outstanding at the end of the year	336.16 (-)	619.21 (659.58)	667.18 (714.44)

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

(a) Particulars	As at end of Current reporting Period	As at end of Previous reporting Period
Forward Contracts	Nil	Euro 2.50
Commodity futures	Nil	5 MT
Interest rate swap with banks whose expiry date upto August 30, 2016	3 million	Nil

- (b) The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2012 are as under:

(₹ in Lakhs)

Particulars	As at end of Current reporting Period	As at end of Previous reporting Period
Assets (Receivables)	757.55	409.79
Liabilities (Payables)	680.86	441.11

51. The Company has paid an higher remuneration to Deputy Managing Director amounting to ₹ 92.13 for the period August 4, 2011 to March 31, 2012 which is subject to approval of the members of the Company.
52. During the year the Company has sold goods amounting to ₹ 6.15 and purchases of goods amounting to ₹ 0.10 to a private limited company covered under Section 297 of the Companies Act, 1956 in respect of which no prior approval of the Central Government as required under Section 297 of the Companies Act, 1956 was obtained. The Company is in the process of making an application to the Company Law Board under Section 621A of the Companies Act, 1956 for compounding of the above non-compliance. However, no adjustments have been made to the financial statements for the year ended March 31, 2012.
53. Donations of ₹150 are subject to approval of members in their meeting under section 293 (1) (e) of the Companies Act, 1956.
54. Normal operating cycle of the business of the Company is assessed by the Management as not more than twelve months for segregation of Current & Non-current.
55. Previous reporting period figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets relate to Previous reporting period.

As per our report of even date

For and on behalf of the Board of Directors

For **B.K. RAMADHYANI & CO.**,  
Chartered Accountants  
Firm registration number: 002878S

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

**ANUJ PATTANAİK**  
Deputy Managing Director

**CA. C R KRISHNA**  
Partner

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

**CA. VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place: Bangalore  
Date: May 28, 2012

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

Sl No.	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	The net aggregate amount of the subsidiary companies Profit/ (loss) so far as it concerns the members of the Holding Company		Dealt with in the Holding Company's accounts	
						Not dealt with in the Holding Company's accounts	For the financial year ended 31 <sup>st</sup> March, 2012	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31 <sup>st</sup> March, 2012
1	Kitsons B.V.	31.3.2012	11.8.2008	1583 shares of € 100 each	100 %	€ (70755)	€ (965753)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2012	1.9.2008	€ 3160000 Capital	94.9%	€ (550128)	€ 4284342	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2012	1.9.2008	€ 25000 Capital	100%	€ 939	€ 2648	-	-

\* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

**VIJAY R KIRLOSKAR**  
Chairman & Managing Director

**ANUJ PATTANAİK**  
Deputy Managing Director

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

**CA VINAYAK N BAPAT**  
Vice President &  
Chief Financial Officer

Place : Bangalore  
Date : May 28, 2012



# KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010.

## ATTENDANCE SLIP

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

I hereby accord my presence at the 65<sup>th</sup> Annual General Meeting of the Company at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore at 10.00 A.M. on Thursday, the 9<sup>th</sup> August, 2012.

-----  
Member/Proxy's Name in Block Letter

-----  
Member/Proxy's Signature

L.F. No. :   
Client ID : NSDL   
Client ID : CDSL

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

# KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010.

## PROXY FORM

I /We \_\_\_\_\_  
of \_\_\_\_\_ being a Member / Members of KIRLOSKAR ELECTRIC COMPANY LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ in the District of \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to attend and vote for me / us on my / our behalf at the 65<sup>th</sup> Annual General Meeting of the Company to be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore, on Thursday, the 9<sup>th</sup> August, 2012 and at any adjournment thereof.

As witness my hand /our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Signed by the \_\_\_\_\_

Affix  
Rs. 1  
Revenue  
Stamp

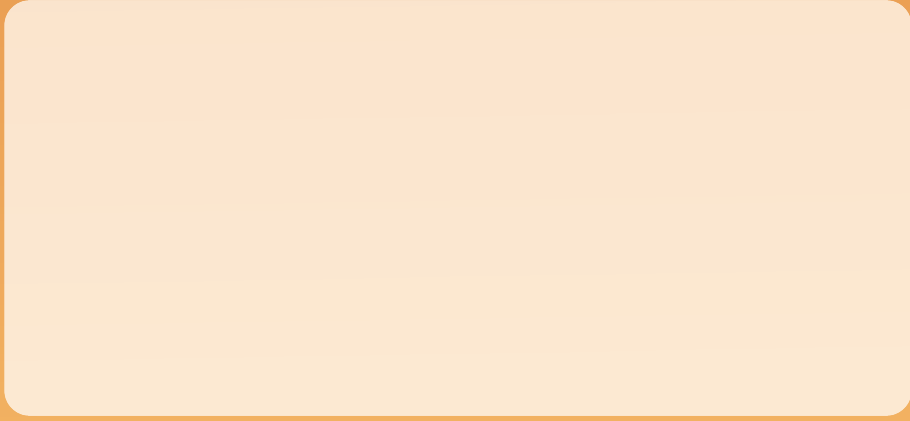
L.F. No. :   
Client ID : NSDL   
Client ID : CDSL

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





BOOK-POST



If undelivered please return to:

**KIRLOSKAR ELECTRIC COMPANY LTD.**

P. B. NO. 5555, Malleswaram West, Bangalore - 560 055.