



KIRLOSKAR ELECTRIC COMPANY LTD.

62nd
ANNUAL REPORT 2008-09 (ABRIDGED)

KIRLOSKAR ELECTRIC COMPANY LIMITED

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

Lakshmanan A.S.

Agarwal S.N.

Anil Kumar Bhandari

Sarosh J Ghandy

Mythili Balasubramanian
IDBI Nominee (upto 10.2.2009)

Ramesh D Damle
LIC Nominee (upto 2.11.2008)

Mahendra V.P.

Kamlesh Gandhi

Berthold Groeneveld
(from 31.10.2008)

Devender Singh D.
LIC Nominee (from 27.2.2009)

Meena Kirloskar
(from 31.7.2009)

Malik P.S.
Jt. Managing Director

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

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

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

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

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

Board of Directors



Vijay R. Kirloskar
Chairman & Managing Director



Malik P.S.
Jt. Managing Director



Lakshmanan A.S.



Agarwal S.N.



Anil Kumar Bhandari



Sarosh J Ghandy



Mahendra V.P.



Kamlesh Gandhi



Berthold Groeneveld



Devender Singh D.
LIC Nominee



Meena Kirloskar

From The Chairman and Managing Director



Dear Fellow Shareholders,

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

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

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

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

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

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

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

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

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

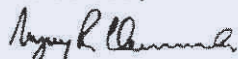
Fortunately, thanks to the rather conservative policies and ways of working of the financial institutions in our Country, the problem India has faced is only that of economic slow down and not that of deep recession as is there in the developed economies. The Government and the Central Bank of the Country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

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

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

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

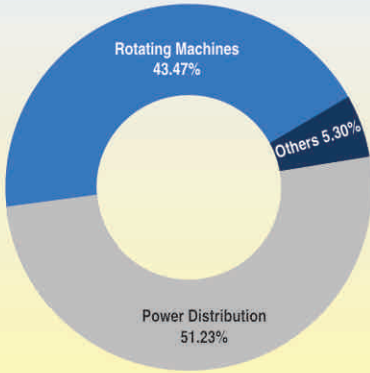
Yours sincerely



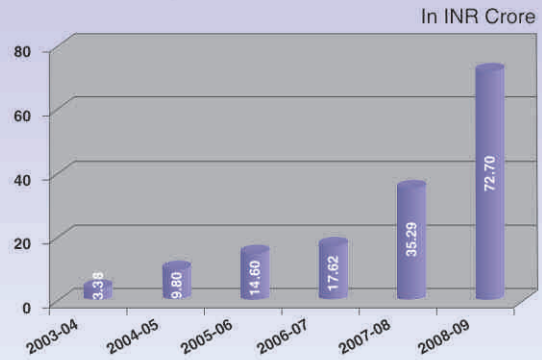
VIJAY R. KIRLOSKAR
Chairman & Managing Director

Financial Summary

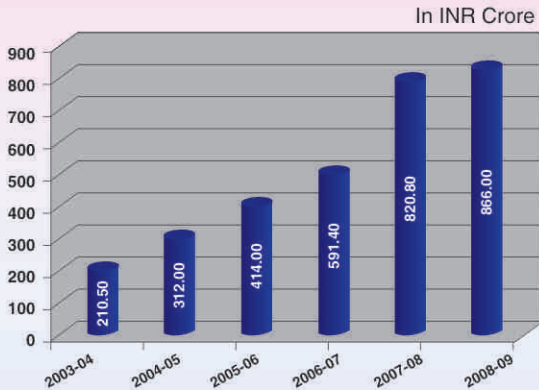
Share of Net Revenue by Segment



Growth in Export Revenues over the Years



Growth in Total Net Revenues Over The Years



NOTICE

NOTICE is hereby given that the SIXTY SECOND 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 24th September, 2009 at 10.00 A.M. to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended 31st March, 2009 together with the Auditors' Report thereon.
2. To declare dividend on Preference Shares issued to IDBI Bank Ltd.
3. To appoint a Director in place of Mr. Sarosh J Ghandy, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
4. To appoint a Director in place of Mr. S.N. Agarwal, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
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 Ramadhani & Co., Chartered Accountants, Bangalore and M/s. Sundar & Associates, Chartered Accountants, Selangor Darul Ehsan, Malaysia, are the retiring Auditors.

SPECIAL BUSINESS

6. To consider and adopt the Revised Directors' Report, Revised Audited Balance Sheet as at 31st March, 2008 and the Revised Profit and Loss Account for the year ended 31st March, 2008 together with the Revised Auditors' Report thereon.
7. To appoint a Director in place of Mr. Berthold Groeneveld who was appointed by the Board as an Additional Director of the Company. He is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. Berthold Groeneveld as a Director of the Company.
8. To appoint a Director in place of Mr. D.Devender Singh who was appointed by the Board, in the casual vacancy caused by the resignation of Mr. Ramesh D Damle, a Director of the Company. Mr. D.Devender Singh is eligible for appointment and the Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. D.Devender Singh as a Director of the Company.
9. To appoint a Director in place of Mrs. Meena Kirloskar who was appointed by the Board as an Additional Director of the Company. She is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mrs. Meena Kirloskar as a Director of the Company.
10. 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, 310 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and Schedule XIII thereto and such other approvals as may be required, the consent of the Company be and is hereby accorded to the payment of remuneration to Mr. P.S. Malik, Joint Managing Director, effective from 17th October, 2008 upto 9th October, 2009 as set out in the Explanatory Statement.
11. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an ordinary resolution:
RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956, the Company do hereby consent to the Board of Directors borrowing from time to time, as they may consider fit, any sum or sums of money not exceeding Rs.5000 million (Rupees Five thousand million) in excess of the aggregate of the paid-up capital of the Company and its free reserves (apart from temporary loans from the Company's Bankers in the ordinary course of business) and that all borrowings accordingly made shall be valid and effectual.

KIRLOSKAR ELECTRIC COMPANY LTD.

12. To consider and if thought fit to pass with or without modification/s, the following Resolution as a Special Resolution:

RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and Schedule XIII thereto and such other approvals as may be required, the consent of the Company be and is hereby accorded to the re- appointment of Mr. P.S.Malik as the Joint Managing Director of the Company for a period of 3 (three) years with effect from 10th October, 2009 on the remuneration and on the terms and conditions as set out in the Explanatory Statement.

RESOLVED FURTHER THAT pursuant to Article 160 of the Articles of Association of the Company read with section 255 of the Companies Act, 1956, Mr.P.S.Malik shall not be liable to retire by rotation so long as he continues as the Joint Managing Director unless selected for retirement by rotation by Directors in terms of Article 160 of the Articles of Association of the Company so as to meet the requirements of Section 255 of the Companies Act, 1956.

13. 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, 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 of the Company and Mrs. Meena Kirloskar, Director of the Company, as an Executive in the Company with effect from 7th July, 2009 on a remuneration of Rs. 41,935/- per month together with the usual allowances and benefits, amenities and facilities including staff superannuation fund, retirement gratuity and provident fund benefits applicable for salary paid to her.

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

P.Y. MAHAJAN

Associate Vice President & Company Secretary

Bangalore,

Date : 31st July, 2009

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

A. Mr. Sarosh J Ghandy, who is 71 years of age, a graduate from Carnegie Institute of Technology, USA, joined Tata Engineering & Locomotive Co.Ltd, Jamshedpur in 1958. He held various positions in TELCO, Jamshedpur and joined the Board of Directors of TELCO in 1976 and was on the Board of TELCO till 1999. Mr Ghandy was Managing Director of Telco Construction Equipment Company Ltd during the period from 1999 to 2002. Mr. Ghandy was also a Special Advisor to the Chairman of Telco Construction Equipment Company Limited for a year.

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

He is a Director of the following companies :

TRF Limited

RAPSRI Engineering Co. Ltd.

Indian Infrastructure Equipment Ltd.

Servion Global Solutions Ltd.

Bhuruka Gases Limited.

Tele Radiology Solutions Pvt. Ltd.

Maini Material Movement Pvt. Ltd.

Edutech - NTTF Pvt.Ltd.

Nettur Technical Training Foundation Ltd

York Transport Equipment (Asia) Pte Ltd

Parinaam Foundation

B. Mr. S.N. Agarwal, who is 64 years of age, a graduate engineer and an alumni of Harvard Business School (AMP- 1985) is the Chairman of Bhoruka Group. Mr.Agarwal is a member of Senior Executive Committee of Federation of Indian Chamber of Commerce & Industry (FICCI); President, International Chamber Of Commerce(Paris) – India Chapter; Vice President, SAARC Chamber of Commerce & Industry; Senior Member, Governing Board - Indian Institute of Management (Bangalore); Chairman, Committee on Finance and Campus Development of IIM-B and Chairman, World President Organization (South India). Mr.Agarwal has served as President of All India Organization of Employers (AIOE).

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

He is a Director of the following companies:

Bhuruka Gases Limited

Transport Corporation of India Ltd.

TCI Industries Limited

Bhoruka Power Corporation Ltd.

Shahapur Power Ltd.

Iruppu Power Private Ltd.

Bhoruka Steel Investments Private Ltd.

Bhoruka Realty Investments Private Limited

Bhoruka Realty Holdings Private Limited

Bhoruka Gases Investments Private Limited

Bhoruka Power Investments Private Limited

Bhoruka Steel Holdings Private Limited

C. Mr. Berthold Groeneveld, who is 61 years of age, a graduate electrical engineer of the University of Bremen (Hochschule für Technik) 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 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 he also 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

- D. Mr. D.Devender Singh, who is 55 years of age, a post graduate in Business Administration (Marketing) 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 last year 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.

- E. Mrs. Meena Kirloskar, who is 54 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 Pvt. Ltd.

Sri Vijayadurga Investments & Agencies Pvt. Ltd.

Vijayjyothi Investments & Agencies Pvt. Ltd.

Abhiman Trading Co. P. Ltd.

Vijyakirti Investments & Agencies Pvt.Ltd.

Vimraj Investments & Agencies Pvt. Ltd.

Ravindu Motors Pvt. Ltd.

- F. Mr. P.S. Malik, who is 63 years of age, joined the Company as Corporate Vice President in February 1997. He was later promoted as President in October 2000. Prior to his appointment in Kirloskar Electric Company Limited, he was working as Vice President in Indian Lead Limited, Mumbai. He was elevated to the position of Deputy Managing Director from 10th October, 2001 and has been made Joint Managing Director from 25th June, 2007.

Mr. Malik is holding 1925 shares of the Company.

He is a Director of the following companies:

Kirloskar Power Equipments Ltd.

Kirloskar Computer Services Limited.

KE ASIROBICON Industrial Systems Pvt. Ltd.

Kirsons Trading Pte. Ltd.

Kirsons B.V.

- j. The share transfer books and Register of Members of the Company will remain closed from Thursday, the 17th September, 2009 to Thursday, the 24th September, 2009 (both the days inclusive).
- k. Pursuant to circular No. SEBI/CFD/DIL/LA/2/2007/26/4 dated April 26, 2007, issued by the Securities and Exchange Board of India, the statement containing the salient features of the balance sheet, profit and loss account and auditor's report (Abridged Financial Statements), is sent to the members along with the Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the unabridged Annual Report, may write to the Registrars and Transfer Agent of the Company.

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 members of the Company approved the Directors' Report on the affairs of the Company for the year ended on 31st March, 2008, the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on 31st March, 2008, at the Annual General Meeting held on 17th September, 2008. The Company had proposed a Scheme of Arrangement and Amalgamation under sections 391-394 of the Companies Act with 1st April, 2007 as the appointed date. The approval of the Hon'ble High Court of Karnataka to the Scheme was received after the Board had approved the Balance Sheet and Profit and Loss of the Company on stand alone basis and had sent them to the shareholders. As a result, subsequent to the approval of the Scheme by the Hon'ble High Court of Karnataka, the Company had to reopen the accounts for the year ended 31st March, 2008 and revise them in terms of the Scheme. The revised accounts with the Directors Report thereon are enclosed. Approval of Members is therefore required as per the notice.

None of the Directors of the Company is in any way concerned or interested in this Resolution.

The Board recommends the Resolution for approval by the Members.

2. Item No 7 of the Notice

Pursuant to Article 153 of the Articles of Association of the Company Mr. Berthold Groeneveld was appointed by the Board of Directors as an Additional Director of the Company effective from 31.10.2008. He holds office upto the date of this meeting and is eligible for appointment. The member who has given notice proposing the candidature of Mr. Berthold Groeneveld as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

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

The Board recommends the Resolution for approval by the members.

3. Item No 8 of the Notice

Mr. D.Devender .Singh was appointed by the Board as a Director with effect from 27.2.2009 to fill the casual vacancy caused by the resignation of Mr. Ramesh D Damle. Under section 262(2) of the Companies Act, Mr. D. Devender Singh holds office upto the date of this meeting as Mr. Ramesh Damle would have retired at this meeting. The member who has given notice proposing the candidature of Mr. Devender Singh as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

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

The Board recommends the Resolution for approval by the members.

4. Item No 9 of the Notice

Pursuant to Article 153 of the Articles of Association of the Company Mrs. Meena Kirloskar was appointed by the Board of Directors as an Additional Director of the Company effective from 31.7.2009. She holds office upto the date of this meeting and is eligible for appointment. The member who has given notice proposing the candidature of Mrs. Meena Kirloskar as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mrs. Meena Kirloskar who is interested in the Resolution, as the same relates to her appointment and Mr. Vijay R Kirloskar, who is Mrs. Meena Kirloskar's husband, 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.

5. Item No. 10 of the Notice

The Company had framed a Scheme of Amalgamation and Arrangement, whereunder, interalia, Kaytee Switchgear Ltd., (KSL), a subsidiary of the Company, has amalgamated with the Company.

KIRLOSKAR ELECTRIC COMPANY LTD.

The Scheme has become effective on 17.10.2008. Mr. P.S. Malik, Joint Managing Director of the Company was also holding the position of President and Chief Executive Officer of KSL. He was drawing remuneration from KSL only and no remuneration was being drawn by him from Kirloskar Electric Co. Ltd., The Board of Directors of the Company have approved payment of remuneration to Mr. P.S.Malik from the Company from the effective date, i.e. 17.10.2008, upto 9.10.2009, i.e. for the remaining period of his appointment. The same has also been approved by the Remuneration Committee. The payment of remuneration is subject to such other approvals as may be necessary. The remuneration proposed is :-

I SALARY

Salary of Rs. 4,50 lakhs (Rupees four lakhs fifty thousand only) per month.

II. PERQUISITES

In addition to salary, Mr. P.S.Malik shall be entitled to the following perquisites :

a. Residential Accommodation :

Fully furnished residential accommodation. If no accommodation is provided by the Company, a suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

b. Medical Reimbursement :

Reimbursement of expenses incurred for the appointee and the family as per the Rules of the Company, subject to ceiling of the amount admissible under the Income Tax Act for purposes of exemption from time to time which is presently at Rs.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 Rs.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 a rate of fifteen days salary for each completed year of service or part thereof in excess of six months.

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.

III MINIMUM REMUNERATION

The aggregate of the salary and perquisites payable to Mr. P.S.Malik as aforesaid, shall not exceed 5% of the net profits of the Company subject however to the condition that the aggregate of the remuneration payable to all the whole-time Directors together shall not exceed 10% of the net

profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act . However, where in any financial year during the currency of tenure of the appointment, the Company has no profits or its profits are inadequate, remuneration as above shall be payable to Mr. Malik as minimum remuneration.

Mr.Malik was not drawing remuneration from Kirloskar Electric Company Limited. The Remuneration last drawn by Mr.Malik in Kaytee Switchgear Limited was as follows :-

- a. A consolidated salary of Rs. 4,50,000 per month;
- b. Rent free furnished accommodation from the Company;
The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962 which shall be included in computing the remuneration;
- c. Medical Reimbursement : Reimbursement of expenses incurred for the appointee and the family subject to ceiling of the amount admissible under the Income Tax Act for purposes of exemption from time to time which is presently at Rs.15,000 per annum;
- d. Leave Travel Concession : For the appointee and his family, once in a year incurred in accordance with rules specified by the Company or limited to one month's salary viz., Rs. 4,50,000/-;
- e. Personal Accident Insurance: Premium not exceeding Rs.4,000/- per annum;
- f. Provision of car for use on Company's business and telephone and communication facilities at his residence for Company's business;
- g. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- h. Gratuity payable at a rate of half-a-month's salary for each completed year of service;
- i. Encashment of leave at the end of the tenure.
- j. Leave and other benefits as admissible to other Executives of the Company from time to time.

Except Mr. Malik, who is interested in the Resolution, as the same relates to payment of remuneration to him, none of the other Directors is in any way concerned or interested in the said Resolution.

The details required under para (B) (iv)(ii) of Schedule XIII and Information as required under para II B (iv)(I) (II) and (iv) of Schedule XIII are common for item no. 10 and item no. 12 (i.e. Resolution No. 10 and Resolution No.12) and hence given at one place under item No. 12.

The Board recommends the Resolutions for approval by the members.

6. Item No .11 of the Notice

As per section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a public company cannot, except with the consent of such company in general meeting, borrow moneys which together with the moneys already borrowed exceed the aggregate of the paid up capital of the Company and its free reserves , apart from temporary loans obtained from the Company's bankers in the ordinary course of business.

At the Annual General Meeting of the Company held on 20th October, 2000, the shareholders have empowered the Board to borrow upto 2000 million rupees in excess of the aggregate of the paid up capital of the Company and its free reserves.

In order to meet financial needs of the Company, it will be necessary to borrow moneys from financial institutions/banks/others. Keeping in view the present and future needs of the Company, the present limit needs to be raised to 5000 million rupees. Accordingly, the Resolution at Item No.11 of the Notice seeks the consent of the shareholders to the revised limit. Your Directors will regulate the borrowings within the overall limit, as may be required for the business operations of the Company.

None of the Directors of the Company is in anyway concerned or interested in this resolution.

The Board recommends the Resolution for approval by the members.

7. Item No .12 of the Notice

At the 59th Annual General Meeting of the Company held on 28th September, 2006, Mr.P.S.Malik was re-appointed as the Dy.Managing Director of your Company for a period of 3 (three) years from 10.10.2006. At the 60th Annual General Meeting of the Company held on 30th August, 2007, he was promoted as Joint Managing Director w.e.f. 25.6.2007. His term of office as Joint Managing Director will come to end on 9.10.2009 by efflux of time.

The Board of Directors of the Company at their Meeting held on 31.7.2009 have approved the re-appointment of Mr.P.S.Malik as Joint Managing Director of the Company for a further period of three years with effect from 10.10.2009 and payment of remuneration to Mr.Malik as set out hereinafter. This has also been approved by the Remuneration Committee .

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

The terms of remuneration payable to Mr. P.S.Malik, as approved by the Remuneration Committee and the Board of Directors are as under:-

A. PROPOSED REMUNERATION

(As approved by the Board and the Remuneration Committee, subject to approval by the shareholders and the Central Government)

I SALARY

Salary of Rs. 4.95 lakhs (Rupees four lakh ninety five thousand only) per month.

II. PERQUISITES

In addition to salary, Mr. P.S. Malik will be entitled to the following perquisites :

a. Residential Accommodation :

Fully furnished residential accommodation. If no accommodation is provided by the Company, a suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

b. Medical Reimbursement :

Reimbursement of expenses incurred for the appointee and the family as per the Rules of the Company, subject to ceiling of the amount admissible under the Income Tax Act for purposes of exemption from time to time, which is presently at Rs.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 Rs.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 a rate of fifteen days salary for each completed year of service or part thereof in excess of six months.

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.

II MINIMUM REMUNERATION

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

Information as required under para (B) (iv)(ii) of Schedule XIII

Mr. P.S. Malik, joined the Company as Corporate Vice President in February 1997. He was later promoted as President in October 2000. Prior to his appointment in Kirloskar Electric Company Limited, he was working as Vice President in Indian Lead Limited, Mumbai. He was elevated to the position of Deputy Managing Director from 10th October, 2001 and he was promoted as Joint Managing Director w.e.f. 25.6.2007. It is proposed to re-appoint Mr.Malik for a period of three years w.e.f.10.10.2009. The remuneration proposed is keeping in view, interalia, the responsibilities placed on Mr.Malik, his contribution and experience. The Company does not have any pecuniary relationship in transactions with the Director except payment of managerial remuneration. He is not related to any managerial personnel. The remuneration has been approved by the Remuneration Committee and the Board of Directors of the Company.

B. PRESENT REMUNERATION

(As approved by the Board and the Remuneration Committee, subject to approval by the shareholders)

I SALARY

Salary of Rs. 4.50 lakhs (Rupees four lakhs fifty thousand only) per month.

II PERQUISITES

In addition to salary, Mr. P.S.Malik is entitled to the following perquisites :

a. Residential Accommodation :

Fully furnished residential accommodation. If no accommodation is provided by the Company, a suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

b. Medical Reimbursement :

Reimbursement of expenses incurred for the appointee and the family as per the Rules of the Company, subject to ceiling of the amount admissible under the Income Tax Act for purposes of exemption from time to time, which is presently at Rs.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 Rs.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 a rate of fifteen days salary for each completed year of service or part thereof in excess of six months.

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.

II MINIMUM REMUNERATION

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

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

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

Your Company has been in operation for over six decades now and 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.

The Company has investments in the following companies abroad :

Kirloskar (Malaysia) SDN BHD	Rs.5.29 lakhs for Rs. 2,00,000 shares
Kirloskar Kenya Ltd.	Rs.8.52 lakhs for 1272 shares
Kirsons Trading Pte.Ltd.	Rs.11.20 lakhs for 56250 shares
KEC North America Inc, USA	Rs.129.36 lakhs for 210 common stock.
Kirsons B.V.	Rs.6453.39 lakhs for 834 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 Inc. have been closed.

The Company has achieved a profit of Rs.302.12 million for the year 1.4.2008 to 31.3.2009 on a turnover of Rs.8659.65 million. The profit for the year 1.4.2007 to 31.3.2008 was Rs.620.14 million. The Company's exports for the year 1.4.2008 to 31.3.2009 were at Rs.720.70 million. The exports for the year 1.4.2007 to 31.3.2008 were at Rs. 352.88 million

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

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

This should be considered as a relevant abstract, as required under section 302 of the Companies Act, 1956.

The Board recommends the Resolutions for approval by the members.

8. Item No .13 of the Notice

Under section 314 of the Companies Act, 1956, a special resolution is required if any relative of a Director of the Company is to hold any office or place of profit under the Company drawing remuneration beyond the stated limit. Under a Special Resolution passed by the Members of the Company at the Annual General Meeting held on 17th September, 2008, Ms. Rukmini Kirloskar, who is a daughter of Mr.Vijay R Kirloskar, Chairman & Managing Director of the Company and Mrs Meena Kirloskar, Director, was appointed as an Executive in the Company, on remuneration and other terms and conditions, as per the resolution passed. She completed her probation of one year of service on 6.7.2009. It is proposed to continue her in employment further and the Board of Directors have decided to pay her the following remuneration, which has been approved by the Remuneration Committee also :-

Monthly Remuneration*

Salary	Rs. 14350
HRA	Rs. 6000
Conveyance Allowance	Rs. 3000
Education Allowance	Rs. 200
Variable Pay	Rs. 18385

Rs. 41935

=====

Annual Benefits

Leave Travel Allowance	Rs. 20000
Mediclaim Policy Reimbursement	Rs. 6000
Medical reimbursement	Rs. 15000
Professional Membership Fee – reimbursement	Rs. 1000

The contribution to provident fund, gratuity and superannuation scheme as per the rules of the Company for the salary proposed at the present level will amount to Rs. 4565/- p.m.

The appointment will be for a period of three years from 7th July, 2009.

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 of Directors recommends the Resolution for approval by the members.

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

Bangalore
Date:31st July 2009

P.Y. MAHAJAN
Associate Vice President & Company Secretary

KIRLOSKAR ELECTRIC COMPANY LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2009

To

The Shareholders

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

Results of Operations

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

Company Performance

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

Industry Outlook

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

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

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

Appropriations

Equity Dividend

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

Preference Dividend

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

Subsidiary Companies

The Company as of March 31, 2009 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries - Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. The Annual accounts of the Company including that of subsidiaries will be kept open for inspection by any member. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiaries.

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 Director's 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. A report on Corporate Governance
3. Auditors Certificate regarding compliance of conditions of Corporate Governance
4. CEO & CFO Certificate
5. CEO Certificate regarding compliance with the Code of Conduct.

These annexures form part of this report.

Directors

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

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

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

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

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

Directors' Responsibility Statement

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

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

Human Resources

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

Segmentwise Operational Performance**Rotating Machine Group**

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

Power Distribution Group

During the year under review the sales under Power Distribution Group amounted to Rs. 4933.07 million as against Rs. 4374.10 million.

Others

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

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

As you are aware the Company has acquired approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholdings in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG, Germany is a limited partnership existing in accordance with the laws of Germany which owns an electrical machine manufacturing plant at Bremen, which is being operated by the said limited liability firm. During the year ended 31st March, 2009 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 34.19 million with a net profit after tax of Euros 1.11 Million.

Auditors' Report

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

Para 8 of the Auditors Report

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

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

Para 11 i) of the Auditors Report

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

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

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

Para 11 iii) of the Auditors Report

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

Para 11 iv) of the Auditors Report

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

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

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

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

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

Auditors

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

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

Acknowledgements

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

For and on behalf of the Board of Directors,

Bangalore
Date : 31st July, 2009

Vijay R Kirloskar
Chairman & Managing Director

CERTIFICATE

To the Members of Kirloskar Electric Company Limited

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

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

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

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

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

For B K RAMADHYANI & CO.,
Chartered Accountants

CA. SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : 31/07/2009

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

- a) Energy conservation measures taken :

The Company continues to conserve energy by

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

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

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

- c) Total energy consumption and energy consumption per unit of production
- Not Applicable

B. Technology Absorption

1. Research and Development

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

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

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

3. **Future plan of action :**

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

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

4. **Expenditure on R & D**

(Rs. in 000's)

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

5. Technology Absorption, Adaptation and Innovation

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

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

b. Benefits derived as a result of the above efforts

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

c. Future Plan of Action

- upgradation of existing technology
- Development of new processes

d. Technology imported during the last 5 years.

A. Technology Imported - Nil

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

- NA -

C. Foreign Exchange Earnings and Outgo

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

(Rs. in 000's)

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

2. Value of imports calculated on the CIF basis.

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

For and on behalf of the Board of Directors,

Bangalore

Date : 31st July, 2009

Vijay R Kirloskar

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance

Company's Philosophy

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

Board of Directors

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

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

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

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

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

@ Directorships held in other Public Limited Companies only .

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

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

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

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Audit Committee

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

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

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

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

Shareholders/Investors Grievances Committee :

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

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

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

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

Remuneration Committee

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

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

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

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

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

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

KIRLOSKAR ELECTRIC COMPANY LTD.

Committee formed to consider and approve the financial results

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

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

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

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

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

Remuneration Policy

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

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

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

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

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

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

A) Executive Directors:

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

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

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

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

B.) Non Executive Directors

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

* Fees paid to IDBI

** Fees paid to Life Insurance Corporation of India

KIRLOSKAR ELECTRIC COMPANY LTD.

Share holdings of Non Executive of Director on as 31.3.2009

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

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

Code of Conduct

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

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

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

Bangalore
June 24 , 2009

sd/-
Vijay R Kirloskar
Chairman & Managing Director

General Body Meetings

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

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

Special Resolutions passed in the previous three Annual General meetings :

Year	Special Resolution
2005-06	<ol style="list-style-type: none"> 1. Re-appointment of Mr.P.S.Malik as a wholetime Director for a period of three years w.e.f.10.10.2006 2. Approval for payment of remuneration to Mr.P.S.Malik, Dy.Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.
2006-07	<ol style="list-style-type: none"> 1. Appointment of Mr. P.S.Malik as Joint Managing Director from 25th June,2007 till 9th October, 2009. 2. Approval for payment of remuneration to Mr.P.S.Malik, Joint Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.
2007-08	<ol style="list-style-type: none"> 1. Revision of remuneration of Mr.Vijay R Kirloskar w.e.f.27.6.2008 for the remaining period of his appointment i.e. upto 16.8.2010. 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration 3. Appointment of Ms.Rukmini Kirloskar, Daughter of Mr.Vijay R Kirloskar to hold an office or place of profit under the Company.

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

Disclosures**Related party transactions**

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

Accounting Treatment

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

Risk Management

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

Utilisation of Public Issue Proceeds during the period under Report

The Company has not raised any money through any issue.

Details of non-compliance

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

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

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

Remuneration Committee

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

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

Chairman's Office

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

Shareholders' Rights

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

Training of Board Members

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

Whistle Blower Policy

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

Means of Communication

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

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

Shareholders' Information

Annual General Meeting

Date : 24th September, 2009

Time : 10.00 A.M.

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

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

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

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

* Audited Results

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

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

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

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

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

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

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

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

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

ISIN Number : INE 134B01017

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

Market Price Data

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

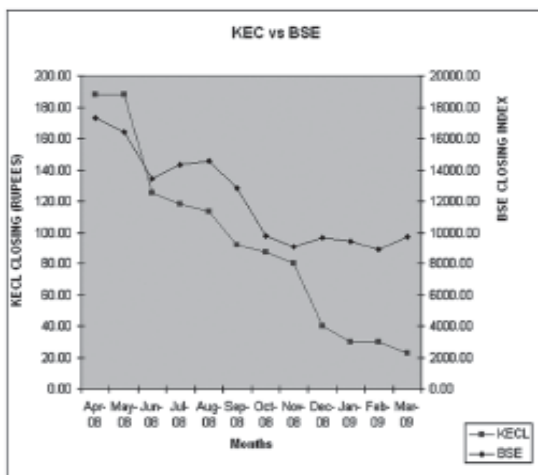
The shares are being traded on Bombay Stock Exchange Limited (BSE) on the IndoNext Platform under "S" group. The prices thereat were as follows :-

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Share Price Movements :

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



Registrar and Share Transfer Agents

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

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

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

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

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

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

Distribution of Shareholding as on 31.3.2009

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

Pattern of Equity Shareholding as on 31.3.2009 :

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

Dematerialisation of Shares

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

KIRLOSKAR ELECTRIC COMPANY LTD.

Shareholders complaints received during the period 1.4.2008 to 31.3.2009.

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

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

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

Insider Trading

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

Plant Locations

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

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

Address for Correspondences :

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

Directors' Responsibility Statement

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Performance Overview

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

Segmentwise or productwise performance

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

The segmentwise turnover of the Company is as follows: -

(Rs. in 000's)

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

Future Outlook

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

Risks & Concerns

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

Internal Control System

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

Human Resources

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

For and on behalf of the Board

Bagalore

Date : 31st July, 2009

Vijay R Kirloskar

Chairman & Managing Director

CEO & CFO CERTIFICATION

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

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

Place : Bangalore
Date : 24.6.2009

Vijay R Kirloskar
Chairman & Managing Director

Rakesh Kumar Gupta
VP & CFO

**AUDITORS' REPORT 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, 2009, the abridged Profit and Loss Account and also the abridged Cash Flow statement for the year ended on that date annexed thereto together with notes thereon.

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the financial statements of the Company for the year ended March 31, 2009 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

CA SHYAM RAMADHYANI

Partner

Membership number 200/19522

Bangalore

Date: June 24, 2009

**AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED,
BANGALORE**

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

- 1 These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.
Further to our comments in the annexure referred to above, we report that:
- 4 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 5 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.
- 6 The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by M/s Sundar & Associates, Chartered Accountants has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.
- 7 The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.
- 8 In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 25 (b) of Schedule 'N' (valuation of Inventories)* and note 26 of schedule 'N' (non disclosure of prior period income/expenditure as required by AS 5)

- 9 On the basis of written representations received from directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 10 Without qualifying our opinion, we draw attention to note 18 of schedule 'N' regarding purchase and sales (during the year and previous year) amounting to Rs.34.873 million and 5.310 million respectively from a company in which certain directors are interested. The earlier approval of the Central Government has been expired under section 297 of the Companies Act, 1956.
- 11 Attention of the members is invited to:
- i) *Note 24 of schedule 'N' regarding certain debtors, creditors, loans and advances, reconciliation of balances between the Company, erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.*
 - ii) *Note 25 (a) of schedule 'N' regarding accounts of one of the units of the Company whose accounts have been maintained on SAP R/3 systems. Effect on revenue, not ascertainable.*
 - iii) *Note 25 (b) of schedule "N' regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*
 - iv) *Note 27 of schedule 'N' regarding amounts due from certain companies of Rs.42.310 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.*
- 12 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 22, schedule 'N' and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject to paragraphs 8, 10 above and paragraph 2 of the annexure to this report give a true and fair view in conformity with the accounting principles generally accepted in India: -
- A In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009
 - B In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
 - C In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Membership number 200/19522

Bangalore
Date: June 24, 2009

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

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

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

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

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

CA. SHYAM RAMADHYANI
Partner
Membership No. 200/19522

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

Date: June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED BALANCE SHEET AS AT 31ST MARCH 2009

[Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956] (Rs in 000's)

	As at 31st March 2009	As at 31st March, 2008
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
a) Capital		
(i) Equity	505,214	332,688
(ii) Preference	237,674	120,000
(iii) Shares to be allotted pursuant to Scheme	-	290,200
	742,888	742,888
b) Reserves & Surplus		
(i) Capital Reserve	1,806	1,806
(ii) Revaluation Reserve	48,041	48,041
(iii) Capital Redemption Reserve	42,500	2,500
(iv) Debenture Redemption Reserve	32,934	16,467
(v) Reconstruction Reserve Account	64,167	64,167
(vi) Profit & Loss Account	718,453	505,149
(vii) Reserve for Doubtful Debts	9,000	9,000
	916,901	647,130
LOAN FUNDS		
a) Secured Loans		
(i) Zero Coupon Debentures	32,933	49,400
(ii) Others	1,140,435	1,093,348
b) Unsecured Loans		
(i) Public Deposits	914	1,151
(ii) Others	293,724	169,199
	1,468,006	1,313,098
TOTAL	3,127,795	2,703,116
APPLICATION OF FUNDS		
FIXED ASSETS		
a) Net Block	1,604,249	1,468,936
b) Capital Work in progress (net of provision for uninstalled machinery Rs.55,975 (As at March 31, 2008 Rs.55,975)	93,176	151,518
	1,697,425	1,620,454
INVESTMENTS		
a) Investment in Subsidiary Companies		
(i) Unquoted	658,275	12,936
(ii) Others		
b) Quoted	25,060	25,060
(i) Quoted	10,446	10,452
(ii) Unquoted	693,781	48,448
	42,896	42,896
Less: Provision for diminution in value of Investments	650,885	5,552
Market value of quoted investments	Not Available	Not Available
CURRENT ASSETS, LOANS & ADVANCES		
a) Inventories	736,238	942,867
b) Sundry Debtors	1,895,783	1,874,767
c) Cash & Bank Balances	484,230	648,511
d) Loans & Advances		
(i) Share application money paid to subsidiary	17,800	
(ii) To subsidiaries	5,063	-
(iii) To others	749,259	603,822
	3,888,373	4,069,967
Less : CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities	2,585,228	2,621,388
b) Provisions	523,660	371,469
	3,108,888	2,992,857
NET CURRENT ASSETS	779,485	1,077,110
TOTAL	3,127,795	2,703,116

REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

(Rs in 000's)

	Current Year	Previous Year
INCOME		
Sales	9,629,301	9,462,052
Less: excise duty	<u>969,650</u>	<u>1,254,287</u>
Interest	29,197	26,367
Dividend		2,153
Rent received	309	4,854
Provision no longer required withdrawn	5,054	4,854
Other Income	47,190	62,130
Profit on sale of fixed assets	9,293	5,963
	48	293
TOTAL	<u>8,750,742</u>	<u>8,309,525</u>
EXPENDITURE		
Material Consumed:		
(i) Opening stock	942,867	603,268
(ii) Add: Purchases	<u>6,468,324</u>	<u>6,407,605</u>
	7,411,191	7,010,873
Less: Closing Stock	<u>736,238</u>	<u>942,867</u>
	6,674,953	6,068,006
Manufacturing Expenses (including power & fuel)	95,418	98,953
Selling Expenses	117,616	118,105
Salaries, Wages and other employees benefits	717,758	687,774
Remuneration to whole-time directors	7,302	4,744
Directors' sitting fees	415	501
Interest and Finance Charges	225,266	150,219
Depreciation	132,571	110,532
Provisions:		
(i) Provision for doubtful debts & advances	30,872	15,000
(ii) Warranty	<u>1,644</u>	<u>8,606</u>
	32,516	23,606
Auditors Remuneration	4,284	4,029
Loss on sale of fixed assets	3,794	-
Other operating expenses	<u>396,413</u>	<u>350,394</u>
	8,408,306	7,616,863
Less: Expenses Capitalised	<u>6,083</u>	<u>1,427</u>
TOTAL	<u>8,402,223</u>	<u>7,615,436</u>
PROFIT BEFORE EXTRAORDINARY ITEMS	348,519	
Add: Extraordinary income - remission of liability	-	1,811
PROFIT BEFORE TAX EXPENSE	<u>348,519</u>	<u>695,900</u>
Less : Provision for current tax (net)	39,399	68,365
Deferred tax credit withdrawn	-	(3,006)
Provision for Fringe Benefit Tax	<u>7,000</u>	<u>10,400</u>
PROFIT AFTER TAX EXPENSE	<u>302,120</u>	<u>620,141</u>
Add: Profit/ (Loss) brought forward from Previous Year	505,149	(149,444)
Loss of Kaytee Switchgear Limited brought forward from previous year	-	(511,580)
	505,149	(661,024)
Less: Adjusted against Securities Premium account as per Scheme	-	634,004
	505,149	(27,020)
Less: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)	-	71,505
	505,149	(98,525)
	<u>807,269</u>	<u>521,616</u>
Less:		
Transfer to Debenture Redemption Reserve	16,467	16,467
Transfer to Capital redemption Reserve	40,000	-
Provision for Preference Dividend	27,650	-
Provision for Dividend Tax	<u>4,699</u>	<u>-</u>
	88,816	16,467
Balance of Profit Carried to Balance Sheet	<u>718,453</u>	<u>505,149</u>
Earning per Share (Face Value Rs 10 per share)		
Before considering extraordinary items		
Basic & Diluted	5.59	11.97
After considering extraordinary items		
Basic & Diluted	5.59	12.00

REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.

VIJAY R KIRLOSKAR
Chartered Accountants

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

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

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

1. SIGNIFICANT ACCOUNTING POLICIES:**1.1 ACCRUAL SYSTEM OF ACCOUNTING:**

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

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

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

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

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

1.4 INVENTORIES:

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

1.5 DEPRECIATION:

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

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

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

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

1.8 REVENUE RECOGNITION:

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

1.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

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

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

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

b) Defined Benefit Plans:

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

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

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

1.11 TAXES ON INCOME:

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

1.12 BORROWING COSTS:

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

1.13 CONTINGENT LIABILITIES:

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

1.14 USE OF ESTIMATES:

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

KIRLOSKAR ELECTRIC COMPANY LTD.

		(Rs. In '000's)	
2(a) CONTINGENT LIABILITIES ETC	As at 31.03.2009	As at 31.03.2008	
i) Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	965,553	921,935	
ii) Bills discounted with bank	188,037	174,558	
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,103	6,834	
iv) Sales tax demanded under appeal	55,167	19,104	
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,246	251,046	
vi) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.			
vii) Sales tax liabilities in respect of pending assessments, C forms have not been received from several customers. Continuing efforts are being made to obtain them.	Not Ascertainable	Not Ascertainable	
viii) Income tax demand under appeal, either by the company or revenue department.	Nil	139,038	
ix) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable	
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable	
xi) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	-	
xii) Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2009 (as at March 31, 2008 for the period from October 1, 2001 to March 31, 2008) (including tax thereon).	79,527	92,079	
<p>In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1st, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1st, 2001 to September 30th, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26th, 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1st, 2001 to September 30th, 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1st, 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17th, 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.</p>			
xiii) The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).The Company	Nil	198,331	

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		(Rs. In '000's)	
		As at	As at
2(a) CONTINGENT LIABILITIES ETC		31.03.2009	31.03.2008
<p>had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department during the year has considered and refixed the export obligation which need to be fulfilled by 2008-09. Based on the revised approval the Company has fulfilled the obligation during the year and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2009.</p>			
xvi)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	9,154
xvii)	Guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened by them in favor of ICICI Bank, Canada as security for loan granted by them to Kirsons BV. The SBLC is secured by mortgage of certain immovable properties of the Company and shares of Kirsons BV.	1,171,465	Nil
xviii)	Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slow down.	Not ascertained	Not ascertained
<p>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.</p>			
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	44,943	66,771

3. Capacities and Production: (Note 13 of Schedule 'O' of financial statements)

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

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

Notes:

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

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

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

4. b) Details of Purchases of Trading goods during the year:

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

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

5. (Note 17 of Schedule 'N' of financial statements)

- The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This

scheme of arrangement and amalgamation 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. In terms of the said Scheme, all the profits of KSL and KPEL with effect from the appointed date shall be treated as profits of the Company. Accordingly, financial statements of the Company for year 2007 – 08 approved by the board of directors on 27th June 2008 have been revised to give effect to the Scheme. The revised figures have been reported as previous year amounts in these financial statements.
- c. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at Rs.65 million pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.
- d. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.

6. (Note 18 of Schedule 'N' of financial statements)

The Company has purchased and sold goods amounting to Rs.34.873 million and Rs.5.310 million respectively during the year from a company in which certain directors of the Company are interested. The earlier approval of the Central Government under section 297 (1) of the Companies Act, 1956 has expired.

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

The Company has received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. The Company, subsequent to the balance sheet date, has applied for restoring the effective date of the approval to 16th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.

8. (Note 22 of Schedule 'N' of financial statements)

The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable.

9. (Note 24 of Schedule 'N' of financial statements)

- a. Confirmation of balances from certain sundry debtors, 'deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
- b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to Rs.31.733 million has been included in Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

10. (Note 25 of Schedule 'N' of financial statements)

- a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are inter alia on account of inaccurate definition of master information as well as change in material codes. The closing

stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.

- b. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.

11. (Note 26 of Schedule ‘N’ of financial statements)

Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.

12. (Note 27 of Schedule ‘N’ of financial statements)

- a) Current Assets, Loans & Advances include Rs. 42.310 million (previous year Rs.134.409 million) being rescheduled advances from certain other Companies.
- b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

13. (Note 28 of Schedule ‘N’ of financial statements)

During the year the Company has incorporated a wholly owned subsidiary at Netherlands, under the name of Kirsons BV. This company has in turn acquired 94.89489% interest in a Limited Liability Partnership (LLP) known as Lloyd Dynamowerke GmbH & Co. and 100% interest in unlimited liability company known as Lloyd Beteiligungs GmbH, both based in Germany. The Cost of Investments in Kirsons BV vide Schedule ‘G’ to the balance sheet includes cost attributable to said acquisition amounting to Rs.88.249 million. The total cost of acquisition by Kirsons BV of the said LLP/ Company in Germany is Rs.1,518.29 million.

14. (Note 29 of Schedule ‘N’ of financial statements)

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

15. Disclosures as per Accounting Standard 15 “Employee Benefits”: (Note 30 of Schedule ‘N’ of financial statements)

Defined Contribution Plan:

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

Rs. in 000’s

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

Defined Benefit Plan:

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

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

* Includes amounts taken over from KSL & KPTEL.

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

16. Segment Reporting: (Note 31 of Schedule 'N' of financial statements)

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

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17. Related Parties Disclosure: (Note 32 of Schedule 'N' of financial statements)

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

DETAILS OF TRANSACTIONS:

Rs. in 000's

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

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

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

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

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

^^ Represents dividend from Kirloskar Power Equipment Limited

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

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

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

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

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

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

\$\$\$ Includes expenses incurred in connection of acquisition of subsidiary Rs.88.249 million vide note 28 above.

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

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

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

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

*** Represents given to Kirloskar Batteries Pvt Ltd.

18. Finance Leases: (Note 33 of Schedule 'N' of financial statements)

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

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

19. (Note 34 of Schedule 'N' of financial statements)

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

20. Earnings per share: (Note 35 of Schedule 'N' of financial statements)

PARTICULARS	31.03.2009 Rs. (000's)	31.03.2008 Rs. (000's)
BASIC :		
After extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	600,345
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367 *
Basic EPS (Rs.)	5.59	11.97
Before extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less: extraordinary item (net of tax)	Nil	1,606
	302,119	618,535
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	598,739
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,021,367 *
Basic EPS (Rs.)	5.59	11.97
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less:		
Preference Dividend including dividend tax	19,796	19,796 @
	282,323	600,345
No. of Equity Shares for Diluted EPS	50,521,367	50,021,367 *
Diluted EPS (Rs.)	5.59	12.00
Before extraordinary items		
Profit for the year after tax expense	302,119	620,141
Less: extraordinary item (net of tax)	Nil	1,606

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

@ Taking into account dividend relating to KSL

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

21. DETAILS OF DEFERRED TAX LIABILITY: (Note 36 of Schedule 'N' of financial statements)

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

22. (Note 37 of Schedule 'N' of financial statements)

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

Rs in 000's

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

23. (Note 38 of Schedule 'N' of financial statements)

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

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

24 Key Ratios:

	Current Year	Previous Year
a) Total Income/ Total Assets	1.44	1.51
b) Net Profit before interest and tax /Capital Employed %	19.63	34.69
c) Return on Net worth %	19.54	48.60
d) Net Profit/ Total Income %	3.45	7.46

Notes: Total Assets is net of capital work in progress and revaluation reserve. Capital employed includes share holders funds, debt funds and is net of revaluation reserve and reconstruction reserve and capital work in progress. Net worth includes shareholders funds and is net of revaluation reserve and reconstruction reserve.

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

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Balance Sheet Abstract and Company's General Business Profile:

I. REGISTRATION DETAILS

Registration No State Code
Balance Sheet Date

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

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

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Capital Work In Progress
Investments Net Current Assets

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income) Total Expenditure
Profit before Tax Profit after Tax
Earning per share in Rs. (After Tax) Dividend rate %

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code)
Product Description
Item Code No. (ITC Code)
Product Description
Item Code No. (ITC Code)
Product Description

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

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

**Consolidated
Financial Statements 2008-09**

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

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

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the financial statements of the Company for the year ended March 31, 2009 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

CA SHYAM RAMADHYANI
Partner

Membership number 200/19522

Bangalore

Date: June 24, 2009

**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") and its subsidiaries (collectively referred as "Group") as at March 31, 2009, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
3.
 - a. We have not audited the financial statements of the Subsidiaries, whose financial statements reflect total assets of Rs.2,588.311 million and total revenues of Rs.2,294.636 million for the period from September 1, 2008 to March 31, 2009. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. The accounting policies used by them have not been harmonised with that used by the Company.
 - b. We have not audited the financial statements of Electrical Machine Industries (Baharin) WLL (EMIB) and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2009. Consequently, the Company's share in the profits/losses of an associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associates. The accounting policies used by them have not been compared and harmonized with that used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2009, notes forming part of the financial statements of the said associate have not been furnished

- c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated Effect on revenue not ascertainable*
4. *Subject to our comments in paragraph 3 above, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiaries, audited/ unaudited financial statements of the associates and audited financial statements of a jointly controlled entity.*
5. *Attention is invited to the following: -*
- a) *Note 12 of schedule 'N' regarding certain debtors, creditors, loans & advances, reconciliation of balances between the Company, its erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.*
- b) *Note 13(a) of schedule 'N' regarding accounts of one of the units of the Company, whose accounts have been maintained on SAP R/3 systems. Effect on revenue, if any is not ascertainable*
- c) *Note 13(b) of schedule N regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*
- d) *Notes 15 of Schedule 'N' regarding amounts due from certain companies of Rs.42.310 million. We have relied on the representations of the management that these advances are good of recovery. We do not express any independent opinion in this matter.*
6. *In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to our comments in paragraphs 3 and 5 above and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:*
- a. *In the case of the balance sheet, of the consolidated state of affairs of the group as at March 31, 2009*
- b. *In the case of the profit and loss account, of the profits of the group for the year ended on that date and*
- c. *In case of the cash flow statement, of the cash flows of the group for the year ended on that date.*

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

CA Shyam Ramadhyani
Partner
Membership No. 200/19522

Date: June 24, 2009

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

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

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

(Rs in 000's)

	As at 31st March 2009	As at 31st March, 2008
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
a) Capital		
(i) Equity	505,214	332,688
(ii) Preference	237,674	120,000
(iii) Shares to be allotted pursuant to Scheme	-	290,200
	742,888	742,888
b) Reserves & Surplus		
(i) Capital Reserve	1,806	1,806
(ii) Capital Reserve on consolidation	-	5,479
(iii) Revaluation Reserve	48,041	48,041
(iv) Capital Redemption Reserve	42,500	2,500
(v) Debenture Redemption Reserve	32,934	16,467
(vi) Reconstruction Reserve Account	64,167	64,167
(vii) Profit & Loss Account	749,095	505,830
(viii) Foreign Currency translation Reserve	114,212	-
(ix) Reserve for Doubtful Debts	9,000	9,000
	1,061,755	653,290
LOAN FUNDS		
a) Secured Loans		
(i) Zero Coupon Debentures	32,933	49,400
(ii) Others	3,004,914	1,093,348
	3,037,847	1,142,748
b) Unsecured Loans		
(i) Public Deposits	914	1,151
(ii) Others	293,760	169,199
	294,674	170,350
MINORITY INTEREST	7,154	-
TOTAL	5,144,318	2,709,276
APPLICATION OF FUNDS		
FIXED ASSETS		
a) Net Block	1,936,620	1,468,936
b) Capital Work in progress (Net of provision for diminution in value of uninstalled machinery Rs.55,975/- (March 31, 2008 Rs.55,975/-)	108,212	151,518
	2,044,832	1,620,454
INVESTMENTS		
(i) Quoted	25,060	25,060
(ii) Unquoted	22,678	11,478
	47,738	36,538
Less: Provision for diminution in value of Investments	24,960	24,960
	22,778	11,578
Market value of quoted investments	Not Available	Not Available
CURRENT ASSETS, LOANS & ADVANCES		
a) Inventories	1,705,002	942,867
b) Sundry Debtors	2,464,358	1,874,767
c) Cash & Bank Balances	678,688	648,511
d) Loans & Advances	875,339	603,959
	5,723,387	4,070,104
Less : CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities	3,588,596	2,621,391
b) Provisions	561,469	371,469
	4,150,065	2,992,860
NET CURRENT ASSETS	1,573,322	1,077,244
GOODWILL ON CONSOLIDATION (NET)	1,443,052	-
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (NET OF AMORTISATION)	60,334	-
TOTAL	5,144,318	2,709,276
REFER NOTES FORMING PART OF THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS		-

Compiled from the audited Financial Statements of the Company referred to in our Report dated June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

(Rs in 000's)

	Current Year	Previous Year
INCOME		
Sales	11,880,048	9,462,052
Less: excise duty	<u>969,650</u>	<u>1,254,287</u>
Interest	32,844	26,367
Dividend	12	2,051
Rent received	6,779	4,854
commission of sales	7,871	-
Provision no longer required	63,340	62,130
Other Income	19,730	6,083
Profit on sale of fixed assets (net)	48	293
TOTAL	<u>11,041,022</u>	<u>8,309,543</u>
EXPENDITURE		
Material Consumed:		
(i) Opening stock	942,867	603,268
(ii) Add: Purchases	8,747,984	6,407,605
Less: Closing Stock	<u>1,705,002</u>	<u>942,867</u>
	7,985,849	6,068,006
Manufacturing Expenses (including power & fuel)	110,405	98,953
Selling Expenses	174,910	118,105
Salaries, Wages and other employees benefits	1,320,495	694,499
Remuneration to whole-time directors	7,302	4,744
Directors' sitting fees	415	501
Interest and Finance Charges	297,106	150,219
Depreciation	158,300	110,532
Provisions:		
(i) Provision for doubtful debts & advances	31,026	15,000
(ii) Warranty	17,898	8,606
(iii) Amortisation of Foreign Exchange Loss on Monetary Item translation difference account	<u>15,083</u>	-
	64,007	23,606
Auditors Remuneration	4,624	4,029
Loss on sale of fixed assets	3,619	-
Other operating expenses	567,348	343,687
	10,694,380	7,616,881
Less: Expenses Capitalised	<u>31,773</u>	<u>1,427</u>
TOTAL	<u>10,662,607</u>	<u>7,615,454</u>
PROFIT BEFORE EXTRAORDINARY ITEMS	378,415	694,089
Add: Extraordinary income - remission of liability	-	1,811
PROFIT BEFORE TAX EXPENSE	378,415	695,900
Less Minority interest	3,712	-
Less share of loss from an associate	339	-
Add: Share in the profit of an associate	1,972	552
PROFIT BEFORE TAX EXPENSE	376,336	696,452
Less : Provision for current tax (net)	37,255	68,365
Deferred tax credit withdrawn	-	(3,006)
Provision for Fringe Benefit Tax	7,000	10,400
PROFIT AFTER TAX EXPENSE	332,081	620,693
Add: Profit/ (Loss) brought forward from Previous Year	505,830	(515,114)
Add: Provision for preference dividend - withdrawn	-	10,395
Deficit on amalgamation of KSL written off	-	(156,176)
	<u>505,830</u>	<u>(660,895)</u>
Less: Adjusted against Securities Premium account as per Scheme	-	634,004
	505,830	(26,891)
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)	-	71,505
	<u>505,830</u>	<u>(98,396)</u>
Less:	<u>837,911</u>	<u>522,297</u>
Transfer to Debenture Redemption Reserve	16,467	16,467
Transfer to Capital redemption Reserve	40,000	-
Provision for Preference Dividend	27,650	-
Provision for Dividend Tax	4,699	-
	<u>88,816</u>	<u>16,467</u>
Balance of Profit Carried to Balance Sheet	749,095	505,830
Earning per Share (Face Value Rs 10 per share)		
Before considering extraordinary items		
Basic & Diluted	6.18	11.98
After considering extraordinary items		
Basic & Diluted	6.18	12.01

REFER NOTES FORMING PART OF THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Compiled from the Audited Consolidated Financial Statements of the Company referred to in our Report dated June 24, 2009
As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in 000's)

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

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore
Date : June 24, 2009

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

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

Basis of presentation of Financial Statements

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

The direct subsidiary of the Company, namely Kirsons BV has been classified as an 'Integral Foreign Operation'. Revenue items denominated in foreign currency have been converted at the average rate prevailing during the year. Non monetary foreign currency assets and liabilities have been accounted at the rate of exchange prevailing on the transaction date. Monetary foreign currency assets and liabilities (other than long term foreign currency monetary items) have been converted at the rates prevailing at the end of the year. Resultant difference has been adjusted in the Profit and Loss Account. In terms of the option provided by notification dated March 31, 2009 issued by the Ministry of Corporate Affairs, Government of India, exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded, in so far as they relate to acquisition of non depreciable capital asset have been accumulated in a 'Foreign currency monetary item translation difference account' and amortized over the balance period of such long term asset/liability but not beyond March 31, 2011. The step down subsidiaries of the Company referred to in note 2 below have been classified as 'Non Integral Foreign Operations'. Revenue items have been consolidated at the average rate prevailing during the year and all assets and liabilities have been converted at the rates prevailing at the end of the year. Resulting exchange differences have been accumulated in a 'Foreign Currency Translation Reserve' vide Schedule B. The difference between the parent Company's portion of equity in the subsidiaries as at the date of its investment and the cost of their respective investments has been treated as capital reserve/goodwill on consolidation.

PRINCIPLES OF CONSOLIDATION

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

1.1 ACCRUAL SYSTEM OF ACCOUNTING:

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

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

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

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

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

1.4 INVENTORIES: (Parent Company)

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

Lloyd Dynamowerke GmbH & Co. KG (LDW)

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

1.5 DEPRECIATION: Parent Company:

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

LDW

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

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

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

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

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

1.8 REVENUE RECOGNITION:

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

1.9 EMPLOYEE BENEFITS:

- (i) Short Term Employee Benefits:

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

- (ii) Post Employment Benefits:

- a) Defined Contribution Plans:

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

- b) Defined Benefit Plans:

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

There were no defined benefit plans at LDW.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

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

1.11 TAXES ON INCOME:

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

1.12 BORROWING COSTS:

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

1.13 CONTINGENT LIABILITIES:

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

1.14 USE OF ESTIMATES:

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

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

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

(Rs. In '000's)

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

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3(a) CONTINGENT LIABILITIES ETC	As at 31.03.2009	As at 31.03.2008
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	-
xii) Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	9,154
xiii) The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The Company had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department during the year has considered and refixed the export obligation which need to be fulfilled by 2008-09. Based on the revised approval the Company has fulfilled the obligation during the year and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2009.	Nil	198,331
xiv) Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slowdown.	Not ascertained	Not ascertained
xv) Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2009 (as at March 31, 2008 for the period from October 1, 2001 to March 31, 2008) (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same. In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.	79,527	92,079
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for.	44,943	66,771

4. (Note 5 of Schedule 'N' of Consolidated financial statements)

- a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear

Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

- b. In terms of the said Scheme, all the profits of KSL and KPEL with effect from the appointed date shall be treated as profits of the Company. Accordingly, financial statements of the Company for year 2007 – 08 approved by the board of directors on 27th June 2008 have been revised to give effect to the Scheme. The revised figures have been reported as previous year amounts in these financial statements.
- c. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at Rs.65 million pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.
- d. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.

5 (Note 6 of Schedule 'N' of Consolidated financial statements)

The Company has purchased and sold goods amounting to Rs.34.873 million and Rs.5.310 million respectively during the year from a company in which certain directors of the Company are interested. The earlier approval of the Central Government under section 297 (1) of the Companies Act, 1956 has expired.

6. (Note 7 of Schedule 'N' of Consolidated financial statements)

The Company has received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. The Company, subsequent to the balance sheet date, has applied for restoring the effective date of the approval to 16th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.

7. (Note 10 of Schedule 'N' of Consolidated financial statements)

The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable.

8 (Note 12 of Schedule 'N' of Consolidated financial statements)

- a. Confirmation of balances from certain sundry debtors, 'deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
- b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to Rs.31.733 million has been included in Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

9 (Note 13 of Schedule 'N' of Consolidated financial statements)

- a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.

- b. The Company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.

10. (Note 14 of Schedule ‘N’ of Consolidated financial statements)

Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.

11. (Note 15 of Schedule ‘N’ of Consolidated financial statements)

- a) Current Assets, Loans & Advances include Rs.42.310 million (previous year Rs.134.409 million) being rescheduled advances from certain companies.
- b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

12. (Note 16 of Schedule ‘N’ of financial statements:

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

13. Disclosures as per Accounting Standard 15 “Employee Benefits”:

(Note 17 of Schedule ‘N’ of Consolidated financial statements)

Defined Contribution Plan:

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

	Current Year (Rs. 000's)	Previous Year (Rs. 000's)
Employer's Contribution to Provident Fund & Pension Scheme	37,053	31,451
Employer's Contribution to Superannuation Fund	8,054	9,865
Employer's contribution to Social security (in case of LDW)	89,679	Nil

Defined Benefit Plan:

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

Rs. in 000s

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

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

* Includes amounts taken over from KPTEL.

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

There are no defined benefit plans at the foreign subsidiaries.

14. Segment Reporting: (Note 18 of Schedule 'N' of Consolidated financial statements)

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

Rs. in 000s					
	Particulars	Primary Segment		Others	Total
		Power Distribution	Rotating Machines Group		
1	Segment Revenues				
	External Revenues	4,933,071 (4,374,105)	6,436,846 (4,485,969)	510,131 (601,978)	11,880,048 (9,462,052)
	Intersegment revenues	148,332 (77,561)	228,249 (69,857)	15,969 (33,241)	392,550 (180,659)
	Total Revenues	5,081,403 (4,451,666)	6,665,095 (4,555,826)	526,100 (635,219)	12,272,598 (9,642,711)

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

(ii) Geographical Segment:

Particulars	Segment revenue by geographical Market (Rs. 000's)	
	Current year	Previous year
Sales of India	9,617,519	9,462,052
Sales of overseas subsidiaries	2,262,529	Nil
Total	11,880,048	9,462,052

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

Rs. in 000's

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

- ♦ Excludes assets of LDW acquired during the year.

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15. Related Parties Disclosure: (Note 19 of Schedule 'N' of Consolidated financial statements)

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

DETAILS OF TRANSACTIONS:

(Rs In 000's)

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

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

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

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

^^ Represents dividend from Kirloskar Power Equipment Limited

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

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

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

\$ Represents Kirloskar Computer Services Limited.! Represents due from Meena Kirloskar\$\$ Includes due to Kirloskar Batteries Limited Rs.821 (Previous year Rs.13,087), Ravindu Motors Private Limited Rs.146 (Previous year Rs.146), Vijay Farms Private Limited Rs.Nil (Previous year Rs.117), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.Nil (Previous year Rs.1,900), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.Nil (Previous year Rs.5,037) and Abhiman Trading Company Limited Rs.Nil (Previous year Rs3,466).” Includes Shares allotted to Vijay R Kirloskar Rs.34,303 (Previous year Rs. Nil) and P S Malik Rs.12 (Previous year Rs. Nil)

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

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

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

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

*** Represents given to Kirloskar Batteries Pvt Ltd.

16. Finance Leases: (Note 20 of Schedule 'N' of Consolidated 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.

Rs. in 000s

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

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17. (Note 21 of Schedule 'N' of Consolidated 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 Rs.65,577 (Rs.34,214).

18. Earnings per share: (Note 22 of Schedule 'N' of Consolidated financial statements) Rs. in 000s

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

@ Taking into account dividend relating to KSL

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

KIRLOSKAR ELECTRIC COMPANY LTD.

19. (Note 23 of Schedule 'N' of Consolidated financial statements)

DETAILS OF DEFERRED TAX LIABILITY

Rs. in 000's

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

20. (Note 24 of Schedule 'N' of Consolidated financial statements)

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

Rs in 000's

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

21. (Note 25 of Schedule 'N' of Consolidated financial statements)

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

Rs. in 000's

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

22 Key Ratios:

	Current Year	Previous Year
a) Total Income/ Total Assets	1.45	1.51
b) Net Profit before interest and tax /Capital Employed %	13.83	34.62
c) Return on Net worth %	21.90	48.62
d) Net Profit/ Total Income %	3.01	7.47

Notes:

Total Assets is net of capital work in progress and revaluation reserve.

Capital employed includes share holders funds, debt funds and is net of revaluation reserve and reconstruction reserve and capital work in progress.

Net worth includes shareholders funds and is net of revaluation reserve and reconstruction reserve.

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

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		
						Not dealt with in the Holding Company's accounts	For the previous financial year ended 31 st March, 2009	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary
1	Kirsons B.V.	31.3.2009	11.8.2008	834 shares of • 100 each	100%	• (496245)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2009	1.9.2008	• 3160000 Capital	94.9%	• 1107262	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2009	1.9.2008	• 25000 Capital	100%	• 63	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR

Chairman & Managing Director

P S MALIK

Joint Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

CA R.K. GUPTA

Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.



61st

**ANNUAL REPORT 2007-08 (*Revised*)
ABRIDGED**

KIRLOSKAR ELECTRIC COMPANY LTD.

- BOARD OF DIRECTORS : **Vijay R. Kirloskar**
Chairman & Managing Director
- Lakshmanan A.S.**
- Agarwal S.N.**
- Anil Kumar Bhandari**
- Sarosh J Ghandy**
- Mythili Balasubramanian**
IDBI Nominee
- Ramesh D Damle**
LIC Nominee
- Mahendra V.P.**
- Kamlesh Gandhi**
- Malik P.S.**
Jt. Managing Director
- COMPANY SECRETARY : Mahajan P.Y.
- AUDITORS : B.K. Ramadhyan & Co.
Bangalore
- BANKERS : Bank of Baroda
Bank of India
State Bank of India
State Bank of Mysore
State Bank of Travancore
The Hong Kong & Shanghai Banking Corporation Ltd.
Bank of Commerce, Kualalumpur (Malaysia)
- REGISTERED OFFICE : Industrial Suburb, Rajajinagar, Bangalore-560 010
- FACTORIES : Govenahalli, Thyamagondlu, Bangalore Rural
Gokul Road, Hubli
Belvadi Industrial Area, Mysore
Hirehalli Industrial Area, Tumkur
Jalahalli, Bangalore
J D Royalite, Tumkur Road, Bangalore
Udyogvihar Phase VI, Gurgaon
Dulagarh, Howrah

KIRLOSKAR ELECTRIC COMPANY LTD.

DIRECTORS' REPORT (Revised)

TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2008

To

The Shareholders,

Your Directors present the Company's 61st Annual Report with the revised audited balance sheet as at 31.3.2008 and the profit and loss account for the year ended on that date. As you are all aware, the Company had filed a petition before the Hon'ble High Court of Karnataka for sanctioning the Scheme of Amalgamation and Arrangement between the Company and Kaytee Switchgear Ltd., and Kirloskar Power Equipments Ltd. The said Scheme has been sanctioned by the Hon'ble High Court of Karnataka vide its order dated 4.9.2008. The Scheme has since become effective. The appointed date under the Scheme being 1st April, 2007, the Company had to reopen the accounts and incorporate the accounting entries in terms of the sanctioned Scheme. Accordingly revised audited statement of accounts are being presented.

RESULTS OF OPERATIONS

	Rs. in million	
	2007-08	2006-07
Income	8207.8	5913.9
Expenditure	6068.0	5309.3
Gross Profit	2139.8	604.6
Operating expenses	1263.1	288.7
Operating Profit before interest and depreciation	876.7	315.9
Interest	150.2	33.9
Depreciation, amortisation and provisions	134.1	123.3
Operating profit before tax and extraordinary items	592.4	158.7
Other income (net)	101.7	24.9
Net profit before tax and extraordinary items	694.1	183.6
Extraordinary Income (Expenditure)	1.8	7.8
Net profit before tax and after extraordinary items	695.9	191.4
Provision for taxation	75.8	16.5
Net profit after tax and after extraordinary items	620.1	174.9

REVISED REPORT

The revised Directors Report is for the limited purpose of complying with the statutory requirement and therefore the material changes effecting the financial position of the Company subsequent to the report dated 27th June, 2008 to be furnished pursuant to Clause (d) of 217(1) will be set out in the Directors Report to be attached to the Balance Sheet as at 31.3.2009.

There being no change during the relevant period in respect of other information furnished under Section 217 of the Companies Act, consequential to the revision of accounts, the same particulars as were furnished in the Directors' Report dated 27th June, 2008 and adopted by the shareholders at the Annual General Meeting of the Company held on 17th September, 2008 are reproduced below:-

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of Rs.9.46 billion (previous year Rs. 6.19 billion). The operations have resulted in a net profit of Rs. 620.1 million (previous year Rs.174.95 million).

Industry Outlook

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

Appropriations**Dividend**

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

Environment, Safety and Energy Conservation

As required by the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and other details had been given in the Annexure to the Report dated 27th June 2008.

Particulars of Employees

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of specified employees are set out in the Annexure to the Director's 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 the Stock Exchanges, the relevant particulars in respect of the following had been furnished with the report dated 27th June 2008 :

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

Directors

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

Directors' Responsibility Statement

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

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

Scheme of Arrangement and Amalgamation

During the year the Company proposed a Scheme of Arrangement and Amalgamation between Kirloskar Power Equipments Limited and Kaytee Switchgear Limited. The Scheme has been approved by the shareholders and creditors of the respective companies. The Scheme has since been sanctioned by the Hon'ble High Court of Karnataka and it has become effective.

Human Resources

The Company considers its employees as its most valuable asset. The Company focuses on building an organization through induction and development of talent to meet current and future needs. A performance management system is in place to facilitate individual and team development for better performance and higher yield. We have a judicious system of reward and recognition. In order to attract and retain talent, the Company maintains the compensation structure on par with that of the industry. We continue to

make efforts to provide our people with an environment in which they can give their best and realise their full potential. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

Segmentwise Operational Performance

Rotating Machine Group

During the year under review the sales under Rotating Machine Group amounted to Rs. 4485.97 million as against Rs. 3922.89 million, registering an increase of over 14%.

Power Distribution Group

During the year under review the sales under Power Distribution Group amounted to Rs. 4374.10 million as against Rs. 1735.30 million, registering an increase of over 152%.

Others

During the year under review the sale of other Electrical Products amounted to Rs. 601.98 million as against Rs. 528.52 million, showing a decrease of 14%.

Technology, investments and acquisitions

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

Auditors' Report

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

Para 2 of the Auditors Report

The Company had obtained a legal opinion in 2003 when the Scheme of Arrangement was approved by the Hon'ble High Court of Karnataka under section 391 – 394 of the Companies Act, 1956, with respect to re-opening of accounts after the accounts are adopted by the shareholders. Accordingly the Board of Directors have re-opened and revised the accounts for the year ended 31st March, 2009, subject to the approval of the shareholders.

Para 8 and 13 (iii) of the Auditors Report, Para 2 c and 8 of the Annexure to the Auditors Report

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

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

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

Para 11 and 13 (iv) of the Auditors Report

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

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

Para 13 (i) of the Auditors Report

The Company has not made any provisions in the books of accounts in regard to the payment of stamp duty in Form 42 (Decree) of the Companies (Court) Rules, 1949 as required, pending assessment by the concerned authorities.

Para 13 (ii) of the Auditors Report

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

Para 13 (v) of the Auditors Report

As mentioned in Note 24 a) the Company is confident of realising the amounts due from certain companies referred to therein. As stated in Note 24 b) of Schedule "O", the Company is in the process of reconciling the balances of the Company, its erstwhile subsidiary – Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited. However, this has no material impact on the accounts.

Para 2 a of the Annexure to the Auditors' Report

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

Auditors

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

Fixed Deposits

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

Acknowledgements

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

For and on behalf of the Board of Directors,

Bangalore
Date : 24th June, 2009

Vijay R Kirloskar
Chairman & Managing Director
KIRLOSKAR ELECTRIC COMPANY LTD.

KIRLOSKAR ELECTRIC COMPANY LTD.

CERTIFICATE OF AUDITORS IN RESPECT OF COMPLIANCE OF CORPORATE GOVERNANCE

The Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited for the year ended on 31st March, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining to be attended/pending for more than 30 days.

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

for B.K. RAMADHYANI & CO.
Chartered Accountants

SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : 27.6.2008

**AUDITORS' REPORT 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, 2008, the abridged Profit and Loss Account and also the abridged Cash Flow statement for the year ended on that date annexed thereto together with notes thereon.

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the financial statements of the Company for the year ended March 31, 2008 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

CA Shyam Ramadhyani
Partner

Membership number 200/19522

Bangalore

Date: June 24, 2009

AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

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

- 1 The financial statements of the company approved by its Board of Directors on June 27, 2008 and reported by us on the same date in terms of section 227 of the Companies Act, 1956 have been revised in the wake of the order of the Honourable High Court of Karnataka dated September 4, 2008 sanctioning a scheme of amalgamation of Kaytee Switchgear Lined and the demerger of the operating business of Kirloskar Power Equipment Limited with it, with April 1, 2007 as the "Appointed Date". This report super cedes our earlier report dated June 27, 2008.
- 2 *As per the opinion of the Institute of Chartered Accountants of India, a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general meeting. However, the Board of Directors have reopened and revised the aforesaid accounts in the light of the factors outlined in paragraph 1 above, to give the effect to the orders of the honourable High Court of Karnataka. The Company had obtained a legal opinion in support of its action of reopening accounts approved by the shareholders in March 2003, in the wake of an earlier scheme of arrangement under sections 391-394 of the Companies Act, 1956.*
- 3 The revised financial statements of the Company have been compiled from the stand alone financial statements of the Company, Kaytee Switchgear Limited (as earlier approved by their respective board of directors on June 27, 2008) and of the operating business of Kirloskar Power Equipment Limited (which has demerged with the Company) as received from its auditors M/s Mayank Shah & Associates, Chartered Accountants, after making such adjustments as were required in the wake of the Scheme. No fresh audit has been carried out and no fresh audit opinion is being made.
- 4 These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 5 Read with paragraph 3 above, we conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 6 As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956("Order"), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

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

- 7 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 8 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.
- 9 The report of M/s Mayank Shah & Associates, Chartered Accountants and M/s Sundar and Associates, Chartered Accountants who have audited the financial statements of the operating business of Kirloskar Power Equipment Limited demerged with the Company pursuant to Scheme and the Kuala Lumpur branch office of the Company and their relevant particulars for incorporation in the financial statement (in both the cases not audited by us) have been forwarded to us and has been duly dealt with while preparing this report.
- 10 The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.
- 11 In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to note 22 of schedule O (non disclosure of prior period income/expenditure as required by AS 5) and note 23 of Schedule O (valuation of inventories).
- 12 On the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 13 *Attention of the members is invited to the following:*
- i. Note 16(b) of schedule O regarding pending assessment and consequential non provision for stamp duty payable consequent to the Scheme. Effect on revenue is not ascertainable.
 - ii. Note 21 of schedule O regarding certain parties' and inter unit accounts being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material
 - iii. Note 23 (a) of schedule O regarding accounts of one of the units of the Company whose accounts have been maintained on SAP R/3 systems. Effect on revenue, not ascertainable.
 - iv. Note 23 (b) of schedule O regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and
 - v. Note 24 of schedule O regarding amounts due from certain companies of Rs.134.409 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.
- 14 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 20, schedule O and read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject to *paragraphs 2, 11 & 13 above and paragraph 2 and 8 of the annexure to this report* give a true and fair view in conformity with the accounting principles generally accepted in India: -
- a In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008
 - b In the case of the profit and loss account, of the profits of the Company for the year ended on that date and
 - c In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Membership number 200/19522

Bangalore

Date: June 24, 2009

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

1. a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.
- b. The management during the year has physically verified a portion of fixed assets. We have been informed by the management that reconciliation of a major portion of assets has been completed and that no material discrepancies were observed. Fixed assets lying with third parties are subject to confirmation.
- c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. Certain *stocks lying with third parties and at port are subject to confirmation.*
- b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory in terms of quantities *except in respect of inventories of certain units and work-in-progress.* The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.
- d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.
3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 24 of schedule O are advances and not in the nature of loans.
4. Having regard to the explanations given to us that some of the bought out items/assets are proprietary and/or special and/or are customised to the requirements of the Company and as such comparative quotations are not available, and subject to note 23 (a) of schedule O there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. Subject to note 23, schedule O, we have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.
6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. The Company Law Board has not passed an order.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to non maintenance of inventory records by certain units and note 23 (a) of schedule O.* We have not made a detailed examination to ensure their accuracy or completeness.
9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months.

KIRLOSKAR ELECTRIC COMPANY LTD.

- b. We have been informed by the management that the customs duty payable of Rs. 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. According to the information and explanations given to us, following undisputed statutory dues as at March 31, 2008 outstanding for a period of more than six months from the date they became payable.

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

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

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	3,872,324	1985 to 2001	Sales Tax Appellate Tribunal
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise and Salt Act, 1944	Excise Duty Demand	491,170		Commissioner (Appeals)
The Central Excise and Salt Act, 1944	Excise Duty Demand	37,456	2005-06	Central Excise & Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise Duty Demand	202,511	2007-08	Assistant Commissioner of Central Excise
Service Tax Act	Service Tax Demand	550,949	2003-04	Joint Commissioner of Central Excise (Service Tax)
The Central Excise and Salt Act, 1944	Excise Demand	175,000	January 2004	Central Excise and Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	30,112	April 1993	High Court of Karnataka
The Central Excise and Salt Act, 1944	Excise demand	129,023	March 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise and Salt Act, 1944	Excise demand	64,111	October 2006	Commissioner of Central Excise (Appeals)
The Income Tax Act, 1961	Penalty	6,127,121	2006-07	Commissioner of Income Tax (Appeals)
Bombay Sales Tax	Sales Tax Turnover Tax Addl Tax	1,256,606 96,662 125,661	1999-2000	Appellate Tribunal
Central Sales Tax	Sales Tax Interest	4,234,354 5,081,226	1999-2000	Appellate Tribunal

10. In our opinion, the Company did not have accumulated losses more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of interest and instalments to banks and financial institutions. The aggregate overdues to banks & financial institutions as at March 31, 2008 was of Rs.5.74 million and Rs.7.90 million respectively.

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

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

CA SHYAM RAMADHYANI
Partner
Membership No. 200/19522

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

Date: June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED BALANCE SHEET AS AT 31ST MARCH 2008

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

(Rs in 000's)

	As at 31st March 2008	As at 31st March, 2007
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
a) Capital		
(i) Equity	332,688	312,688
(ii) Preference	120,000	120,000
(iii) Share application money pending allotment	-	60,000
(iv) Shares to be allotted pursuant to Scheme	<u>290,200</u>	<u> </u>
	742,888	492,688
b) Reserves & Surplus		
(i) Capital Reserve	1,806	1,806
(ii) Revaluation Reserve	48,041	48,041
(iii) Capital Redemption Reserve	2,500	2,500
(iv) Debenture Redemption Reserve	16,467	-
(v) Share Premium Account	-	614,194
(vi) Reconstruction Reserve Account	64,167	-
(vii) Profit & Loss Account	505,149	-
(viii) Reserve for Doubtful Debts	<u>9,000</u>	<u>9,000</u>
	647,130	675,541
LOAN FUNDS		
a) Secured Loans		
(i) Zero Coupon Debentures	49,400	49,400
(ii) Others	<u>1,093,348</u>	<u>194,894</u>
	1,142,748	244,294
b) Unsecured Loans		
(i) Public deposits	1,151	1,208
(ii) Others	<u>169,199</u>	<u>70,841</u>
	170,350	72,049
TOTAL	<u>2,703,116</u>	<u>1,484,572</u>
APPLICATION OF FUNDS		
FIXED ASSETS		
a) Net Block	1,468,936	115,851
b) Capital Work in progress (net of provision for uninstalled machinery Rs.55,975 (As at March 31, 2008 Rs.46,056))	<u>151,518</u>	<u>10,327</u>
	1,620,454	126,178
INVESTMENTS		
a) Investment in Subsidiary Companies		
(i) Unquoted	12,936	592,136
b) Others		
(i) Quoted	25,060	25,060
(ii) Unquoted	<u>10,452</u>	<u>10,452</u>
	48,448	627,648
Less: Provision for diminution in value of Investments	<u>42,896</u>	<u>42,896</u>
	5,552	584,752
Market value of quoted investments	Not Available	Not Available
CURRENT ASSETS, LOANS & ADVANCES		
a) Inventories	942,867	229,727
b) Sundry Debtors	1,874,767	1,353,438
c) Cash & Bank Balances	648,511	413,668
d) Loans & Advances		
i) To Subsidiaries	-	136,740
ii) To Others	<u>603,822</u>	<u>250,589</u>
	4,069,967	2,384,162
Less : CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities	2,621,388	1,735,812
b) Provisions	<u>371,469</u>	<u>43,903</u>
	2,992,857	1,779,715
NET CURRENT ASSETS	1,077,110	604,447
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	-	19,751
PROFIT & LOSS ACCOUNT	-	149,444
TOTAL	<u>2,703,116</u>	<u>1,484,572</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 June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

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

(Rs in 000's)

	Current Year	Previous Year
INCOME		
Sales	9,462,052	6,186,711
Less: excise duty	<u>1,254,287</u>	<u>272,754</u>
Interest	26,367	11,094
Dividend	2,153	
Rent received	4,854	5,335
Provision no longer required	62,130	5,510
Other Income	5,963	2,338
Profit on sale of fixed assets (net)	293	615
TOTAL	<u>8,309,525</u>	<u>5,938,849</u>
EXPENDITURE		
Material Consumed:		
(i) Opening stock	603,268	217,961
(ii) Add: Purchases	6,407,605	5,321,103
Less: Closing Stock	<u>942,867</u>	<u>229,727</u>
	6,068,006	5,309,337
Manufacturing Expenses (including power & fuel)	98,953	14,450
Selling Expenses	118,105	31,568
Salaries, Wages and other employees benefits	687,774	115,781
Remuneration to whole-time directors	4,744	5,889
Directors' sitting fees	501	200
Interest and Finance Charges	150,219	33,900
Depreciation & Amortisation	110,532	33,231
Provisions:		
(i) Provision for doubtful debts & advances	15,000	28,700
(ii) Warranty	8,606	3,055
(iii) Diminution in value of un installed machinery	-	43,000
(iv) Others	-	15,316
	<u>23,606</u>	90,071
Auditors Remuneration	4,029	1,701
Other operating expenses	<u>350,394</u>	<u>119,311</u>
	7,616,863	5,755,439
Less: Expenses Capitalised	1,427	230
TOTAL	<u>7,615,436</u>	<u>5,755,209</u>
PROFIT BEFORE EXTRAORDINARY ITEMS	694,089	183,640
Add: Extraordinary income - remission of liability	1,811	7,806
PROFIT BEFORE TAX EXPENSE	695,900	191,446
Less : Provision for current tax (net)	68,365	10,000
Deferred tax credit withdrawn	(3,006)	-
Provision for Fringe Benefit Tax	<u>10,400</u>	<u>6,500</u>
PROFIT AFTER TAX EXPENSE	620,141	174,946
Add: Profit/ (Loss) brought forward from Previous Year	(149,444)	324,390
Loss of Kaytee Switchgear Limited brought forward from previous year	<u>(511,580)</u>	-
	(661,024)	324,390
Less: Adjusted against Securities Premium account as per Scheme	<u>(27,020)</u>	-
	71,505	324,390
Less: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)	<u>(98,525)</u>	-
	521,616	(149,444)
Less: Transfer to Debenture Redemption Reserve	16,467	-
Balance of Profit Carried to Balance Sheet	<u>505,149</u>	<u>(149,444)</u>
Earning per Share (Face Value Rs 10 per share)		
Before considering extraordinary items		
Basic	11.97	5.06
Diluted	11.97	4.76
After considering extraordinary items		
Basic	12.00	5.28
Diluted	12.00	4.96

REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	694,089	183,640
DEPRECIATION	110,532	9,159
PROVISION FOR INVESTMENTS	-	15,316
AMORTISATION & PROVISIONS	100,852	28,241
PROVISION FOR LEAVE ENCASHMENT IN TERMS OF TRANSITIONAL PROVISIONS OF AS 15 (REVISED)	(71,505)	-
PROVISION FOR UNINSTALLED MACHINERY	-	43,000
PROFIT FROM SALE OF FIXED ASSETS (NET)	(293)	(615)
EXTRA ORDINARY INCOME	1,811	7,806
INTEREST EXPENSES(NET OF INTEREST INCOME AND DIVIDEND INCOME)	<u>121,699</u>	<u>22,807</u>
	263,096	125,714
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
	957,185	309,354
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	529,690	(377,978)
INVENTORIES	(339,599)	(11,766)
TRADE & OTHER PAYABLES	<u>(494,236)</u>	<u>208,509</u>
	(304,145)	(181,235)
	653,040	128,119
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(150,219)	(33,900)
DIRECT TAXES PAID	<u>(110,362)</u>	<u>(8,401)</u>
	(260,581)	(42,301)
NET CASH FROM OPERATING ACTIVITIES	392,459	85,818
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE/ TRANSFER OF FIXED ASSETS (INCLUDING CWIP)	(248,529)	(6,481)
SALE OF FIXED ASSETS	402	1,035
INTEREST RECEIVED	26,367	11,093
DIVIDEND RECEIVED	<u>2,153</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	(219,607)	5,647
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	229,048	172,276
REPAYMENT OF TERM BORROWINGS	(270,814)	(50,192)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	110	685
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(167)	-
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	60,000
SHARES TO BE ALLOTTED PURSUANT TO SCHEME	<u>-</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	(41,823)	182,769
D NET INCREASE IN CASH	131,029	274,234
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	413,668	139,434
CASH & CASH EQUIVALENTS ACQUIRED PURSUANT TO SCHEME	103,814	-
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>648,511</u>	<u>413,668</u>
	131,029	274,234

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore

Date : June 24, 2009

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS 2007-08

1. SIGNIFICANT ACCOUNTING POLICIES**1.1 ACCRUAL SYSTEM OF ACCOUNTING:**

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

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

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

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

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

1.4 INVENTORIES:

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

1.5 DEPRECIATION:

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

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

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

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

1.8 REVENUE RECOGNITION:

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

1.9 EMPLOYEE BENEFITS:**(i) Short Term Employee Benefits:**

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

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

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

b) Defined Benefit Plans:

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

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

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

1.11 TAXES ON INCOME:

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

1.12 BORROWING COSTS:

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

1.13 CONTINGENT LIABILITIES:

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

1.14 USE OF ESTIMATES:

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

KIRLOSKAR ELECTRIC COMPANY LTD.

Rs. in '000's

2(a) CONTINGENT LIABILITIES ETC	As at 31.03.2008	As at 31.03.2007
i) Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	912,935	179,351
ii) Bills discounted with bank	174,558	-
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,834	14,911
iv) Sales tax demanded under appeal	19,104	8,309
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,046	216,339
vi) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
vii) Sales tax liability in respect of pending assessments	Not Ascertainable	Not Ascertainable
viii) Income tax demand under appeal, either by the company or revenue department.	139,038	132,911
ix) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	-
xii) Arrears of dividend on cumulative preference shares for the period from October 1, 2001 to March 31, 2008 (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.	92,079	61,832
xiii) The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).The shortfall in export performance as of 31 st March 2008 in relation to commitments is Rs.3,138 million.	198,331	

KIRLOSKAR ELECTRIC COMPANY LTD.

Rs. in '000's

2(a) CONTINGENT LIABILITIES ETC		As at 31.03.2008	As at 31.03.2007
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The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extent time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs.247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.

xvi)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	-
	In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.		
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	92,071	Nil

3. Capacities and Production: (Note 13 of Schedule 'O' of financial statements)

Item No.	Class of Goods	Capacities			
			Licensed	Installed @	Production
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	1,705 (8)
2.	FHP Motors #	Nos.	21,600	21,600	11,330
3.	Engines	Nos.			1,517
4.	Transformers	Kva	2,060,000	2,060,000	4,596,825 (1,777,101)
5.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	Nil
6.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	1,890 (851)
7.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	Nil
8.	Vertical Mechanical Comparator, Sigma size Electronic Gauging Indicator, Sigma flash electronic column gauges, Sigmaster fixturing systems.	Nos.	1,400	200	Nil
9.	Micro and Mini Computers	Rs. In million	100*	80	Nil
10.	Industrial Electronic Voltage Regulators	Nos.	20,000	8,000	1,910 (5,341)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	512 (732)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil (Nil)
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	18 (79)
14.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil
15.	Alternators	Nos.	191,500	78,000	Nil
16.	D.G. Sets	Nos.			750 (64)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		831 (859)
18.	Electricity generated using wind energy	Units			619,640 (Nil)

Notes: 1. (**) Registered with DGTD (*) on maximum utilization (+) On single shift. 2. (@) As certified by the Management.
3. \$ Standing in the name of Kirloskar Systems Ltd., whose switchgear business was taken over by the Company in a prior year.
4. * as per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt.01/12/2004
5. During the year Company has acquired licensed capacity of 1,260,000 Kva of Transformers from KPEL and 2,806 MW of motors/ alternators/ generators of KSL as per scheme of arrangement.

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Item No.	Class of Goods	Turnover of Finished Goods			
		Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	117,147	4,269,684	114,093	3,979,675
2.	Transformers	2,443	3,205,100	588	1,225,414
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	1,873	162,217	871	186,722
4.	Uninterruptible Power Systems	547	44,887	720	40,946
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	18	11,502	79	2,558
7.	Industrial Electronic Voltage Regulators	1,910	Nil	5,341	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	816	455,858	857	444,463
9.	D G Sets	746	501,428	87	108,913
10.	Electricity (in Units)	619,640	3,093		0
11.	Engines	1,517	214,457		
12.	Others		593,826		198,020
	TOTAL		9,462,052		6,186,711

4. b) Details of Purchases of Trading goods during the year:

Item No	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators	-	-	113,873	3,615,977
2.	Others		88,596		142,991
	TOTAL		88,596		3,758,968

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

5. (Note 16 of Schedule 'O' of financial statements)

- a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17,2008.
- b. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable high court of Karnataka pending assessment and payment of stamp duty in respect of which no provision has been made in the books of account.
- c. Disclosures in terms of Accounting Standard – 14:
 - i) Name and general nature of business of amalgamating Company: Kaytee Switchgear Limited, manufacture & sale of motors and alternators.
 - ii) Effective date of amalgamation for accounting purposes : April 1, 2007
 - iii) Method of accounting to reflect amalgamation: Pooling of interest method read with order dated September 4, 2008 passed by honorable high court of Karnataka.

KIRLOSKAR ELECTRIC COMPANY LTD.

- iv) Particulars of scheme sanctioned under statute: All the assets and liabilities of KSL as on appointed date have vested with Company in as is where is condition. All the employees of KSL have become employees of the Company without no break of service. Refer Scheme for full details.
- v) Description and number of shares issued:
- a) Preference shares of Rs.100 each of the Company for every 1 preference share of Rs.100 each. Total number of preference shares to be issued 1,176,746 shares.
 - b) 1 equity shares of the Company for 4 equity shares of Rs.10/- each held in KSL. Total number of shares to be issued 6,752,550
- vi) The amount of any difference in consideration and the value of net of identified assets acquired and treatment thereof: The difference between the net identified value of assets acquired, debit balance in profit & loss account and the face value of shares to be issued has been credited to reconstruction reserve account. Refer note 17.
- d. Accounting for assets and liabilities taken over from KPEL have been done as per treatment stipulated in para 12.2 of the Scheme.
- e. The financial statements approved by board of directors on June 27, 2008 has now been amended in the wake of the Scheme.
- f. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.

6. (Note 17 of Schedule 'O' of financial statements)

Reconstruction reserve account has been arrived as under:	Amount (Rs. 000's)
Surplus of assets over liabilities of the operating business of KPEL in excess of share capital to be issued, pursuant to the Scheme	791
Surplus of assets over liabilities of the erstwhile KSL in excess of share capital to be issued, pursuant to the Scheme	642,576
	643,367
Less: Book value of shares held by the Company in KSL as at 31/03/2007	579,200
	64,167

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

The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.768.202 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.

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

- a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are

under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.

- b. Balances between the Company and the erstwhile KSL and the operating business of KPTEL have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these financial statements. In the absence of necessary information, unrealised profits and losses from such inter unit transactions, may not have been comprehensively eliminated. Effect on revenue not ascertainable.

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

Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.

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

- a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
- b. The company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.

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

- a) The Company holds unquoted investments with books value of Rs.1.972 million in M/s Kirsons Trading Pte Ltd and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs.134.409 million (previous year Rs.46.923 million) being rescheduled advances from these and certain other Companies.
- b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.

12. Disclosures as per Accounting Standard 15 "Employee Benefits":(Note 26 of Schedule 'O' of financial statements)

Defined Contribution Plan:

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

	Current Year (Rs. 000's)
Employer's Contribution to Provident Fund & Pension Scheme	31,451
Employer's Contribution to Superannuation Fund	9,865

Defined Benefit Plan:

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

13. Segment Reporting: (Note 27 of Schedule 'O' of financial statements)

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

KIRLOSKAR ELECTRIC COMPANY LTD.

(Rs in 000's)

	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of Defined Benefit obligation:		
Defined Benefit obligation at beginning of the year *	159,825	30,381
Current Service Cost	8,522	6,421
Interest Cost	12,711	3,000
Actuarial (gain)/ loss	13,670	1,353
Benefits Paid	14,016	3,483
Defined Benefit obligation at end of the year	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:		
Fair value of plan assets at beginning of the year *	50,150	
Expected return on plan assets	5,097	
Employer Contribution	34,948	
Benefits paid	14,016	
Fair value of plan assets at year end	76,179	
3. Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	76,179	-
Present value of obligation	180,712	37,672
Amount recognised in Balance Sheet	104,533	37,672
4. Expense recognised during the year: (under "Schedule – M")		
Operating & Other expenses of the Profit and Loss account		
Current Service Cost	8,522	7,139
Interest Cost	12,711	2,282
Expected return on plan assets	5,096	-
Actuarial (gain)/ loss	13,670	1,354
Net Cost	29,807	10,775
5. Actuarial assumptions:		
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%

* Includes amounts taken over from KSL & KPEL.

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

14. Related Parties Disclosure: (Notes 28 of Schedule 'O' of 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

Sl. No	Name of the related party	Relationship
1	Kaytee Switchgear Limited (upto 31.03.2007)	Subsidiary
2	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
3	KEASI Robican Industrial Systems Limited. Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures

KIRLOSKAR ELECTRIC COMPANY LTD.

Sl. No	Name of the related party	Relationship
4	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Pvt. Ltd. Sri Vijayadurga Investments & Agencies Pvt. Ltd. Vijayyothi Investments & Agencies Pvt. Ltd. Abhiman Trading Co. P. Ltd. Vimraj Investments & Agencies Pvt. Ltd.	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS:

Nature of transactions	Subsidiary	Key management personnel and their Relatives relatives	Associates and joint ventures	Enterprises over which key management personnel and their are able to exercise significant influence
Rs. (000's)				
Purchases of goods/services	Nil (3,658,360)	Nil	Nil (Nil)	87,351* (15,052)
Sale of goods/fixed assets	Nil (78,448)	Nil	30,355# (10,128)	18,184 \$ (20,048)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	Nil	Nil	5,135 (-)
Rent received from Ravindu Motors Pvt Ltd	Nil (1,200)	Nil	Nil	2,528 (2,442)
Dividend received	-	-	102 # (-)	2,040 ^ (-)
Rent paid	Nil (13)	5,100 @ (-)	-	10,750 ** (-)
Investments as on 31.03.2008	Nil (579,200)	Nil	5,529^^ (5,529)	5,197 ## (5,197)
Provision for diminution in value of investments as on 31.03.2008	Nil	Nil	5,000 @@ (5,000)	2,380 @@ (2,380)
Amount due to Company as at 31.3.2008	Nil (136,740)	2,700 + (-)	22,979 # (8,550)	152,466 ^^ (51,245)
Amount due from Company as at 31.03.2008	Nil (724,359)	3,133 ++ (-)	Nil	23,753 ### (13,295)
Remuneration paid	Nil	11,621 \$\$ (6,818)	Nil	Nil
Shares allotted during the year (Face Value & premium)	Nil	Nil	Nil	60,000 !! (-)
Guarantees given by the Company and outstanding at the end of the year	Nil	Nil	Nil	128,500 !!! (128,500)

provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

*Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.69,415 (previous year Rs.428), Vijay Farms Limited Rs.5,174 (Previous year Rs.119), Sri Vijaydurga Investments and Agencies Private Limited Rs.6,719 (Previous year Rs.Nil), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.14,495), Abhiman Trading Company Limited Rs.6,043 (Previous year Rs.Nil) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.10)

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

KIRLOSKAR ELECTRIC COMPANY LTD.

§ Includes Sale of goods/fixd assets to Kirloskar Batteries Private Limited Rs.17,995 (Previous year Rs.17,336), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.2,712) and Ravindu Motors Private Limited Rs.189 (Previous year Rs. Nil).

^ Dividend received from Kirloskar Power Equipment Limited.

@ Includes Rent paid to Meena Kirloskar Rs.1,500 (Previous year Rs. Nil) and Vijay R Kirloskar Rs.3,600 (Previous year Rs.Nil)

** Represents rent paid to Vijay Jyothi Investments and Agencies Private Limited

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

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

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

+ Represents due from Meena Kirloskar

^^^ Includes due from Kirloskar Power Equipment Limited Rs.31,702 (previous year Rs.2,509), Kirloskar Computer Services Limited Rs.22,165 (Previous year Rs.18,773), Vijay Farms Limited Rs.18,660 (Previous year Rs. Nil), Kirloskar Batteries Private Limited Rs. Nil (Previous year Rs.29,896), Vijay Jyothi Investments and Agencies Private Limited Rs.69,114 (Previous year Rs. Nil), Abhiman Trading Company Limited Rs.7,372 (Previous year Rs. Nil), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.Nil), Ravindu Motors Private Limited Rs.Nil (Previous year 67) and Vijaydurga Investments and Agencies Limited Rs.3,393 (Previous year Rs. Nil).

++ Includes due to Vijay R Kirloskar Rs.2,988 (Previous year Rs. Nil) and Meena Kirloskar Rs.125 (Previous year Rs. Nil).

Includes due to Kirloskar Batteries Limited Rs.13,087 (Previous year Rs.196), Ravindu Motors Private Limited Rs.146 (Previous year Rs.Nil), Vijay Farms Private Limited Rs.117 (Previous year Rs.Nil), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.1,900 (Previous year Rs.Nil), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.5,037 (Previous year Rs.Nil), Abhiman Trading Company Limited Rs.3,466 (Previous year Rs. Nil) and Kirloskar Power Equipment Limited Rs. Nil (Previous year Rs.13,100).

\$\$ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,757), P S Malik Rs.5,689 (Previous year Rs. Nil), Janki Kirloskar Rs.1,188 (Previous year Rs.928) and D R Venkatesh Murthy Rs. Nil (Previous year Rs.1,133).

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

!!! Represents issued on behalf of Kirloskar Batteries Private Limited.

15. Finance Leases: (Note 29 of Schedule 'O' of financial statements)

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

(Rs in 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008
Within One year	20,066	8,511	11,555
Later than one year but not later than five years	86,389	18,498	67,891
Later than five years	441	73	368
Amount disbursed for which installment schedule yet to be finalized	-		3,130
Total	106,896	27,082	82,944

16. (Note 30 of Schedule 'O' of financial statements)

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.34,214 (Rs.4,547).

KIRLOSKAR ELECTRIC COMPANY LTD.

17. Earnings per share: (Note 31 of Schedule 'O' of financial statements)

PARTICULARS	31.03.2008 Rs. (000's)	31.03.2007 Rs. (000's)
BASIC :		
After extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	600,345	165,118
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	12.00	5.28
Before extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less: extraordinary item (net of tax)	1,606	6,922
	618,535	168,024
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	598,739	158,196
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	11.97	5.06
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	600,345	165,118
No. of Equity Shares for Diluted EPS *	50,021,367	33,268,817
Diluted EPS (Rs.)	12.00	4.96
Before extraordinary items		
Profit for the year after tax expense	620,141	174,946
Less: extraordinary item (net of tax)	1,606	6,922
	618,535	168,024
Less:		
Preference Dividend including dividend tax @	19,796	9,828
	598,739	158,196
Weighted No. of Equity Shares for Basic EPS *	50,021,367	33,268,817
Basic EPS (Rs.)	11.97	4.76

@ Taking into account dividend relating to KSL

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

18. DETAILS OF DEFERRED TAX LIABILITY: (Note 32 of Schedule 'O' of financial statements)

(Rs in 000's)

	As at 31.03.2008	As at 31.03.2007
Liability relating to value of fixed assets	282,913	14,967
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	282,913	14,967
Net amount	Nil	Nil

19. (Note 33 of Schedule 'O' of financial statements)

During the year the company has made provisions towards warranty claims from the customers towards sales and leave to employees, the details of the same are as under:

		(Rs in 000's)
Particulars	Leave	Warranty Claims
Balance outstanding at the beginning of the year	4,445	10,417
Taken over pursuant to Scheme	20,228	25,336
Provision for the year (net)	16,498*	8,606
Amount paid	3,499	-
Balance outstanding at the end of the year	37,672	44,359

*Includes Rs.5,753 (in 000's) in terms of transitional provisions of AS -15 (Revised).

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

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

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

21 Key Ratios:

		Current Year	Previous Year
a)	Total Income/ Total Assets	1.51	1.96
b)	Net Profit before interest and tax /Capital Employed %	34.69	15.80
c)	Return on Net worth %	48.60	18.43
d)	Net Profit/ Total Income %	7.46	2.95

Notes:

Total Assets is net of capital work in progress and revaluation reserve.

Capital employed includes share holders funds, debt funds and is net of revaluation reserve and reconstruction reserve and capital work in progress.

Net worth includes shareholders funds and is net of revaluation reserve and reconstruction reserve.

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

23. The current year figures are combined figures of the Company, erstwhile KSL and operating business of KPEL pursuant to Scheme and previous year figures represent the standalone figures of the Company and hence not comparable. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary.

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Bangalore

Date : June 24, 2009

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

P S MALIK
Joint Managing Director

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Balance Sheet Abstract and Company's General Business Profile:

I. REGISTRATION DETAILS

Registration No C415746-47 State Code 08
 Balance Sheet Date 31-03-2008

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

Public Issue Nil Rights Issue Nil
 Bonus Issue Nil Private Placement Nil

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

Total Liabilities 2703116 Total Assets 2703116

Sources of Funds

Paid up Capital 452688 Shares to be allotted pursuant to Scheme 290200
 Reserves & Surplus 647130 Secured Loans 1142748
 Unsecured Loans 170350

Application of Funds

Net Fixed Assets 1468936 Capital Work In Progress 151518
 Investments 5552 Net Current Assets 1077110
 Miscellaneous Expenditure - Accumulated Losses 0

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income) 8311336 Total Expenditure 7615436
 Profit before Tax 695900 Profit after Tax 620141
 Earning per share in Rs. (After Tax) 12.01 Dividend rate % Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code) 85.01
 Product Description ELECTRIC MOTORS
 Item Code No. (ITC Code) 85.01
 Product Description AC MACHINES
 Item Code No. (ITC Code) 85.01
 Product Description DC MACHINES

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President & Company Secretary

P S MALIK
Joint Managing Director

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

Bangalore

Date : June 24, 2009

**Consolidated
Financial Statements 2007-08**

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the financial statements of the Company for the year ended March 31, 2008 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

CA SHYAM RAMADHYANI
Partner

Membership number 200/19522

Bangalore

Date: June 24, 2009

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 and its associates as at March 31, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The Consolidated financial statements of the Company approved by its Board of Directors on June 27, 2008 and reported by us on the same date have been revised in the wake of the order of the Honourable High Court of Karnataka dated September 4, 2008 sanctioning a scheme of amalgamation of Kaytee Switchgear Limited and the demerger of the operating business of Kirloskar Power Equipment Limited with it ("Scheme"), with April 1, 2007 as the "Appointed Date". This report super cedes our earlier report dated June 27, 2008.
3. *As per the opinion of the Institute of Chartered Accountants of India, a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general meeting. However, the Board of Directors have reopened and revised the aforesaid accounts in the light of the factors outlined in paragraph 1 above, to give the effect to the orders of the honourable High Court of Karnataka. The Company had obtained a legal opinion in support of its action of reopening accounts approved by the shareholders in March 2003, in the wake of an earlier scheme of arrangement under sections 391-394 of the Companies Act, 1956.*
4. The revised Consolidated financial statements of the Company have been compiled from the Consolidated financial statements of the Company (as earlier approved by the board of directors on June 27, 2008) and the financial statements of the operating business of Kirloskar Power Equipment Limited (which has demerged with the Company) as received from its auditors M/s Mayank Shah & Associates, Chartered Accountants, after making such adjustments as were required in the wake of the Scheme. Neither has any fresh audit of any kind been carried out, either by us or the said M/s Mayank Shah & Associates nor is any fresh audit opinion being made.
5. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
6. a. Unaudited financial statements of Keasi Robican Industrial Systems Limited for the financial year ended March 31, 2008 received have been used for the purpose of consolidation.

The Company's share of assets, liabilities, income and expenditure as adopted for consolidation are not a significant percentage of the total reported figures of the group.

- b. We have not audited the financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2008. . Consequently, the Company's share in the profits of an associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associate. The accounting policies used by it have not been compared and harmonized with the accounting policies used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2008, notes forming part of the financial statements of the said associate have not been furnished
 - c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. Effect on revenue not ascertainable*
 - d. *In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated. Effect on revenue not ascertainable.*
7. *Subject to our comments in paragraph 3 & 6 above, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company, unaudited financial statements of an associate and a jointly controlled entity*
- 8 *Attention is invited to the following: -*
- a) Note 5 (b) of schedule 'O' regarding non assessment and non provision for stamp duty payable consequent to the Scheme. Effect on revenue is not ascertainable.
 - b) Attention of the members is invited to note 10 of schedule 'O' regarding certain parties and inter unit accounts being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.
 - c) Note 12 (a) of schedule 'O' regarding accounts of one of the units of the Company, whose accounts have been maintained on SAP R/3 systems. Effect on revenue, if any is not ascertainable
 - d) *Note 12(b) of schedule 'O' regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Effect on revenue, if any is not ascertainable and*
 - e) *Notes 13 of Schedule 'O' regarding amounts due from certain companies of Rs. 134.409 million. We have relied on the representations of the management that these debts are good of recovery. We do not express any independent opinion in this matter.*
9. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraphs 3, 6 and 8 above* and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the balance sheet, of the consolidated state of affairs of the group as at March 31, 2008
 - b. In the case of the profit and loss account, of the profits of the group for the year ended on that date and
 - c. In case of the cash flow statement, of the cash flows of the group for the year ended on that date.

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

Date: June 24, 2009

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 56 005

CA SHYAM RAMADHYANI
Partner
Membership No. 200/19522

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

[Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies ct.1956] (Rs in 000's)

	As at 31st March 2008	As at 31st March, 2007
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
a) Capital		
(i) Equity	332,688	312,688
(ii) Preference	120,000	120,000
(iii) Share application money pending allotment	-	60,000
(iv) Shares to be allotted pursuant to Scheme	<u>290,200</u>	<u>-</u>
	742,888	492,688
b) Preference share Capital of Subsidiary	-	117,675
c) Reserves & Surplus		
(i) Capital Reserve	1,806	1,806
(ii) Capital Reserve on consolidation	5,479	-
(iii) Revaluation Reserve	48,041	48,041
(iv) Capital Redemption Reserve	2,500	2,500
(v) Debenture Redemption Reserve	16,467	-
(vi) Share Premium Account	-	614,194
(vii) Reconstruction Reserve Account	64,167	-
(viii) Profit & Loss Account	505,830	-
(ix) Reserve for Doubtful Debts	<u>9,000</u>	<u>9,000</u>
	653,290	675,541
LOAN FUNDS		
a) Secured Loans		
(i) Zero Coupon Debentures	49,400	49,400
(ii) Others	<u>1,093,348</u>	<u>1,074,665</u>
	1,142,748	1,124,065
b) Unsecured Loans		
(i) Public Deposits	1,151	1,208
(ii) Others	<u>169,199</u>	<u>110,246</u>
	170,350	111,454
MINORITY INTEREST		46,968
TOTAL		<u>2,709,276</u>
APPLICATION OF FUNDS		
FIXED ASSETS		
a) Net Block	1,468,936	1,344,770
b) Capital Work in progress (Net of provision for diminution in value of uninstalled machinery Rs.55,975/- (March 31, 2008 Rs.63,856/-)	<u>151,518</u>	<u>53,727</u>
	1,620,454	1,398,497
INVESTMENTS		
(i) Quoted	25,060	24,960
(ii) Unquoted	<u>11,478</u>	<u>11,128</u>
	36,538	36,088
Less: Provision for diminution in value of Investments	<u>24,960</u>	<u>24,960</u>
	11,578	11,128
Market value of quoted investments	Not Available	Not Available
CURRENT ASSETS, LOANS & ADVANCES		
a) Inventories	942,867	534,551
b) Sundry Debtors	1,874,767	1,265,448
c) Cash & Bank Balances	648,511	449,392
d) Loans & Advances	603,959	363,421
	<u>4,070,104</u>	<u>2,612,812</u>
Less : CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities	2,621,391	1,917,392
b) Provisions	<u>371,469</u>	<u>138,285</u>
	2,992,860	2,055,677
NET CURRENT ASSETS	1,077,244	557,135
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	-	19,751
GOODWILL ON CONSOLIDATION (NET)	-	66,766
PROFIT & LOSS ACCOUNT	-	515,114
TOTAL		<u>2,709,276</u>

REFER NOTES FORMING PART OF THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated June 24, 2009

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore

Date : June 24, 2009

KIRLOSKAR ELECTRIC COMPANY LTD.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

[Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956] (Rs in 000's)

	Current Year	Previous Year
INCOME		
Sales	9,462,052	6,272,636
Less: excise duty	<u>1,254,287</u>	<u>784,510</u>
Interest	26,367	13,244
Dividend	2,051	
Rent received	4,854	4,216
Other Income	68,213	25,232
Profit on sale of fixed assets (net)	293	605
TOTAL	<u>8,309,543</u>	<u>5,531,423</u>
EXPENDITURE		
Material Consumed:		
(i) Opening stock	603,268	529,495
(ii) Add: Purchases	6,407,605	3,925,249
Less: Closing Stock	<u>942,867</u>	<u>534,551</u>
	6,068,006	3,920,193
Manufacturing Expenses (including power & fuel)	98,953	79,420
Selling Expenses	118,105	61,332
Salaries, Wages and other employees benefits	694,499	491,564
Remuneration to whole-time directors	4,744	5,889
Directors' sitting fees	501	355
Interest and Finance Charges	150,219	135,632
Depreciation & Amortisation	110,532	130,257
Provisions:		
(i) Provision for doubtful debts & advances	15,000	102,817
(ii) Warranty	8,606	7,759
(iii) Diminution in value of uninstalled machinery	-	60,800
(iv) Others	-	2,380
	<u>23,606</u>	<u>173,756</u>
Auditors Remuneration	4,029	3,436
Other operating expenses	<u>343,687</u>	<u>225,145</u>
	7,616,881	5,226,979
Less: Expenses Capitalised	<u>1,427</u>	<u>1,082</u>
TOTAL	<u>7,615,454</u>	<u>5,225,897</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		
Add: Extraordinary income - remission of liability	694,089	305,526
	<u>1,811</u>	<u>90,830</u>
PROFIT BEFORE TAX EXPENSE	695,900	396,356
Less Minority interest	-	33,411
Less share of loss from an associate	-	-
Add: Share in the profit of an associate	552	117
PROFIT BEFORE TAX EXPENSE	-	363,062
Less : Provision for current tax (net)	68,365	12,000
Deferred tax credit withdrawn	(3,006)	-
Provision for Fringe Benefit Tax	<u>10,400</u>	<u>9,500</u>
	75,759	21,500
PROFIT ATER TAX EXPENSE	620,693	341,562
Less: Preference Dividend of a subsidiary Company (including dividend tax)	-	9,969
	<u>620,693</u>	<u>331,593</u>
Add: Profit/ (Loss) brought forward from Previous Year	(515,114)	(846,707)
Add: Provision for preference dividend - withdrawn	10,395	-
Deficit on amalgamation of KSL written off	<u>(156,176)</u>	<u>-</u>
	(660,895)	(846,707)
Less: Adjusted against Securities Premium account as per Scheme	<u>634,004</u>	<u>-</u>
	(26,891)	(846,707)
Add: Expenditure on employee benefits upto 31st March 2007 in terms of transitional provisions of AS 15 (revised)	<u>71,505</u>	<u>-</u>
	(98,396)	(846,707)
Less: Transfer to Debenture Redemption Reserve	<u>522,297</u>	<u>(515,114)</u>
	16,467	-
Balance of Profit/ (Loss) Carried to Balance Sheet	<u>505,830</u>	<u>(515,114)</u>
Earning per Share (Face Value Rs 10 per share)		
Before considering extraordinary items		
Basic	11.98	7.73
Diluted	11.98	7.26
After considering extraordinary items		
Basic	12.01	10.29
Diluted	12.01	9.67

REFER NOTES FORMING PART OF THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

As per our report of even date

For B.K. RAMADHYANI & CO.

Chartered Accountants

CA SHYAM RAMADHYANI

Partner

Bangalore

Date : June 24, 2009

VIJAY R KIRLOSKAR

Chairman & Managing Director

P Y MAHAJAN

Associate Vice President & Company Secretary

P S MALIK

Joint Managing Director

CA R.K. GUPTA

Vice President & Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

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

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX	696,452	363,062
DEPRECIATION	110,532	106,185
AMORTISATION & PROVISIONS	130,085	35,356
PROVISION FOR EMPLOYEE BENEFITS IN TERMS OF TRANSITIONAL PROVISIONS OF AS 15 (REVISED)	(71,505)	-
PROVISION FOR UNINSTALLED MACHINERY	-	60,800
PROFIT FROM SALE OF FIXED ASSETS (NET)	(293)	(605)
EXTRAORDINARY INCOME	(1,811)	(90,830)
INTEREST EXPENSES (NET OF INTEREST AND DIVIDEND INCOME)	121,801	122,388
	<u>288,809</u>	<u>233,294</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	985,261	596,356
ADJUSTMENT FOR TRADE & OTHER RECEIVABLES		
(NET OF Rs.324,903 TAKEN OVER FROM KPTEL)	(368,223)	(342,962)
INVENTORIES (NET OF Rs.68,716 TAKEN OVER FROM KPTEL)	(339,600)	(5,056)
TRADE & OTHER PAYABLES (NET OF Rs. 249,266 TAKEN OVER FROM KPTEL)	454,733	100,263
	<u>(253,090)</u>	<u>(247,755)</u>
	732,171	348,601
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(150,219)	(135,632)
DIRECT TAXES PAID	(110,362)	(12,293)
	<u>(260,581)</u>	<u>(147,925)</u>
NET CASH FROM OPERATING ACTIVITIES	471,590	200,676
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE/ TRANSFER OF FIXED ASSETS (INCLUDING CWIP)	(282,499)	(29,585)
INCREASE IN VALUE OF INVESTMENT	(450)	2,263
SALE OF FIXED ASSETS	402	1,041
INTEREST RECEIVED	26,367	13,244
INCREASE/(DECREASE) IN MINORITY INTEREST	(46,968)	33,411
DIVIDEND RECEIVED	2,051	-
NET CASH USED IN INVESTING ACTIVITIES	(301,097)	20,374
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING		
(INCLUDING Rs.249,266 TAKENOVER FROM KPTEL)	229,048	-
REPAYMENT OF TERM BORROWINGS	(270,814)	(94,037)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	110	-
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(167)	-
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	60,000
REMISSION OF LIABILITY	1,811	90,830
NET CASH USED IN FINANCING ACTIVITIES	(40,012)	56,793
D NET INCREASE IN CASH	130,481	277,843
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	449,392	171,549
CASH & CASH EQUIVALENTS ACQUIRED FROM KPTEL PURSUANT TO SCHEME	68,638	-
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>648,511</u>	<u>449,392</u>
	130,481	277,843

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President & Company Secretary

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

Bangalore

Date : June 24, 2009

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

In respect of KEC North America Inc, a subsidiary, the audited financial statements for the calendar year ended 31st December 2005 has been adopted. This Company has been wound up. However, the approval of the Reserve Bank of India in this respect has not been received. The financial statements of KEASI Robicon Industrial System Ltd used are as received from it and is unaudited. Intra group balances have not been reconciled and differences to the extent identified have been treated as intra group suspense, pending reconciliation.

Basis of presentation of Financial Statements:

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

PRINCIPLES OF CONSOLIDATION:

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

1.1 ACCRUAL SYSTEM OF ACCOUNTING:

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

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

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

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 INVESTMENTS:

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

1.4 INVENTORIES:

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

1.5 DEPRECIATION:

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

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

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

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

1.8 REVENUE RECOGNITION:

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

1.9 EMPLOYEE BENEFITS:

- (i) Short Term Employee Benefits:

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

- (ii) Post Employment Benefits:

- a) Defined Contribution Plans:

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

b) **Defined Benefit Plans:**

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

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC:

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

1.11 TAXES ON INCOME:

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

1.12 BORROWING COSTS:

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

1.13 CONTINGENT LIABILITIES:

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

1.14 USE OF ESTIMATES:

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

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

Name of the company	Ownership Percentage	Country of Incorporation
Subsidiary		
Kaytee Switchgear Limited *(upto 01.04.2007)	76.34	India
Associate		
Kirloskar (Malaysia) Sdn.Bhd	40.00%	Malaysia
Joint Venture		
KEASI Robicon Industrial System Pvt, Ltd	50%	India
<ul style="list-style-type: none"> ♦ Has merged with the Company pursuant to the orders of the honorable high court of Karnataka referred to in note 4 below 		

KIRLOSKAR ELECTRIC COMPANY LTD.

(Rs in 000's)

3(a) CONTINGENT LIABILITIES ETC	As at 31.03.2008	As at 31.03.2007
i) Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	912,935	202,109
ii) Bills discounted with bank	174,558	-
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	6,834	15,395
iv) Sales tax demanded under appeal	19,104	8,309
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	251,046	246,078
vi) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed an amount of Rs.20 million along with dividends in arrears of Rs.20.56 million and interest from the Company, before the Debt Recovery Tribunal. The Company does not acknowledge this liability.		
vii) Sales tax liability in respect of pending assessments. C forms have not been received from several customers, continuing efforts are being made to obtain them.	Not Ascertainable	Not Ascertainable
viii) Income tax demand under appeal, either by the company or revenue department.	139,038	132,911
ix) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	Not Ascertainable	Not Ascertainable
x) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	Not Ascertainable	Not Ascertainable
xi) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	Amount not ascertainable	Amount not ascertainable
xii) The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).The shortfall in export performance as of 31st March 2008 in relation to commitments is Rs.3,138 million.The Company has requested the Director General of Foreign Trade to refix the export obligation at 8 times of the duty saved in terms of current norms as well extent time to meet the balance export obligation. If this request is acceded to, the balance export obligation of the Company will stand reduced to Rs. 247.36 million. The Company is confident that its request will be acceded to and that it will meet the same within the extended period sought.	198,331	198,331
xiii) Arrears of dividend on cumulative preference shares for the period from October 1, 2001 to March 31, 2008 (including tax thereon). In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said preference shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much	92,079	61,832

KIRLOSKAR ELECTRIC COMPANY LTD.

(Rs in 000's)

3(a) CONTINGENT LIABILITIES ETC	As at 31.03.2008	As at 31.03.2007
<p>as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17th, 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.</p>		
<p>xvi) Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances</p> <p>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.</p>	9,154	9,154
<p>(b) Estimated amount of contracts remaining to be executed on capital account and not provided for.</p>	66,771	41,284

4. (Note 5 of Schedule 'O' of Consolidated financial statements)

- a. The order of the Honorable High court of Karnataka according approval for the scheme of arrangement and amalgamation under section 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17,2008.
- b. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honorable high court of Karnataka pending assessment and payment of stamp duty in respect of which no provision has been made in the books of account.
- c. In terms of the Scheme, all the profits and losses of KSL and the operating business of KPEL from April 1, 2007 are to the account of the Company.
- d. Disclosures in terms of Accounting Standard – 14:
 - i) Name and general nature of business of amalgamating Company: Kaytee Switchgear Limited, manufacture & sale of motors and alternators.
 - ii) Effective date of amalgamation for accounting purposes: April 1, 2007
 - iii) Method of accounting to reflect amalgamation: Pooling of interest method read with order dated September 4, 2008 passed by honorable high court of Karnataka.
 - iv) Particulars of scheme sanctioned under statute: All the assets and liabilities of KSL as on appointed date have vested with Company in as is where is condition. All the employees of KSL have become employees of the Company without no break of service. Refer Scheme for full details.
 - v) Description and number of shares issued:
 - a) Preference shares of Rs.100 each of the Company for every 1 preference share of Rs.100 each. Total number of preference shares to be issued 1,176,746 shares.
 - b) 1 equity shares of the Company for 4 equity shares of Rs.10/- each held in KSL. Total number of shares to be issued 6,752,550

- vi) The amount of any difference in consideration and the value of net of identified assets acquired and treatment thereof: The difference between the net identified value of assets acquired, debit balance in profit & loss account and the face value of shares to be issued has been credited to reconstruction reserve account. Refer note 6.
- e. Accounting for assets and liabilities taken over from KPEL have been done as per treatment stipulated in para 12.2 of the Scheme.
- f. The financial statements approved by board of directors on June 27, 2008 has now been amended in the wake of the Scheme.
- g. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/ approvals of the various regulatory authorities.

5. (Note 6 of Schedule 'O' of Consolidated financial statements)

Reconstruction reserve account has been arrived as under:	Amount (Rs. 000's)
Surplus of assets over liabilities of the operating business of KPEL in excess of share capital to be issued, pursuant to the Scheme	791
Surplus of assets over liabilities of the erstwhile KSL in excess of share capital to be issued, pursuant to the Scheme	642,576
	643,367
Less: Book value of shares held by the Company in KSL as at 31/03/2007	579,200
	64,167

6. (Note 7 of Schedule 'O' of Consolidated 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 9 of Schedule 'O' of Consolidated financial statements)

The Company has initiated the process of obtaining confirmation from suppliers regarding the registration under the Micro Small and Medium Enterprises Development Act 2006. The suppliers are not registered wherever confirmations are received and in other cases, the Company is not aware of their registration status and hence information relating to outstanding balance or interest due is not disclosed as it is not determinable. However the amount due to small-scale industries, which is more than 30 days, is Rs.768.202 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.

8. (Note 10 of Schedule 'O' of Consolidated financial statements)

- a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, certain inter unit accounts, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/ reconciliation. Effect on revenue is not expected to be material.
- b. Balances between the Company and the erstwhile KSL and the operating business of KPEL have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these financial statements. In the absence of necessary information, unrealised profits and losses from such inter unit transactions, may not have been comprehensively eliminated. Effect on revenue not ascertainable.

9. (Note 12 of Schedule 'O' of Consolidated financial statements)

- a. The accounts of the one of the units of the Company have been maintained in SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing

stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.

- b. The company has initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.

10. (Note 13 of Schedule 'O' of Consolidated financial statements)

- a) The Company holds unquoted investments with books value of Rs.1.972 million in M/s Kirsons Trading Pte Ltd and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs.134.409 million (previous year Rs.46.923 million) being rescheduled advances from these and certain other Companies.
- b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies, their revival plans as communicated to the Company and other factors, no provision either for diminution in value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.

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

(Note 15 of Schedule 'O' of Consolidated financial statements)

Defined Contribution Plan:

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

	Current Year (Rs. in 000's)
Employer's Contribution to Provident Fund & Pension Scheme	31,451
Employer's Contribution to Superannuation Fund	9,865

Defined Benefit Plan:

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

(Rs in 000's)

	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of Defined Benefit obligation:		
Defined Benefit obligation at beginning of the year *	159,825	30,381
Current Service Cost	8,522	6,421
Interest Cost	12,711	3,000
Actuarial (gain)/ loss	13,670	1,353
Benefits Paid	14,016	3,483
Defined Benefit obligation at end of the year	180,712	37,672
2. Reconciliation of opening and closing balance of fair value of plan assets:		
Fair value of plan assets at beginning of the year *	50,150	
Expected return on plan assets	5,097	
Employer Contribution	34,948	
Benefits paid	14,016	
Fair value of plan assets at year end	76,179	
3. Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	76,179	-
Present value of obligation	180,712	37,672
Amount recognised in Balance Sheet	104,533	37,672
4. Expense recognised during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)		
Current Service Cost	8,522	7,139
Interest Cost	12,711	2,282
Expected return on plan assets	5,096	-
Actuarial (gain)/ loss	13,670	1,354
Net Cost	29,807	10,775

KIRLOSKAR ELECTRIC COMPANY LTD.

(Rs in 000's)

	Gratuity (Funded)	Leave (Unfunded)
5 Actuarial assumptions: Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8%	8.20%
Expected rate of return on plan assets (per annum)	9.25%	Nil
Rate of escalation in salary (per annum)	7%	7%
* Includes amounts taken over from KSL & KPEL.		

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

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

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

	Particulars	Primary Segment			Rs. in 000s
		Power Distribution	Rotating Machines Group	Others	Total
1	Segment Revenues				
	External Revenues	4,374,105	4,485,969	601,978	9,462,052
		(1,735,300)	(4,008,817)	(528,519)	(6,272,636)
	Intersegment revenues	77,561	69,857	33,241	180,659
		(25,394)	(87,505)	(25,622)	(138,521)
	Total Revenues	4,451,666	4,555,826	635,219	9,642,711
		(1,760,694)	(4,096,322)	(554,141)	(6,411,157)
2	Segment Results: Profit				
	Before Taxation and Interest	399,931	560,910	186,311	1,147,152
		(254,586)	(437,450)	(180,842)	(872,878)
	Less: Interest				150,219
					(135,632)
	Less: Depreciation & Amortizations				134,138
					(304,013)
3	Unallocable Expenditure				270,484
					(171,004)
4	Unallocable & Other Income (including Extraordinary items)				103,589
					(134,127)
5	Share of Profits in the Associates (Net)				552(117)
6	Minority interest – Share of Profits				-(33,411)
	Less: Tax (including FBT)				75,759
					(21,500)
	Total Profit				620,693
					(341,562)
7	Segment Assets	1,581,680	2,572,100	303,211	4,456,991
		(543,689)	(2,381,805)	(248,867)	(3,174,361)
8	Unallocable Assets				1,245,145
					(1,007,176)
9	Segment Liabilities	1,218,532	1,382,039	153,783	2,754,354
		(344,459)	(665,922)	(110,595)	(1,120,976)
10	Unallocable Liabilities				1,551,604
					(2,289,770)
11	Capital Expenditure	111,974	49,975	1,602	161,949
		(2,784)	(20,623)	(371)	(3,155)

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

KIRLOSKAR ELECTRIC COMPANY LTD.

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

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

DETAILS OF TRANSACTIONS:

Nature of transactions	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Rs. (000's)		
Purchases of goods/services	Nil	87,351* (92,271)
Sale of goods/fixed assets	Nil	18,184 \$ (48,248)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	5,135 (-)
Rent received from Ravindu Motors Pvt Ltd	Nil	2,528 (2,442)
Dividend received	-	2,040 ^ (-)
Rent paid	5,100 @ (1,500)	10,750 ** (-)
Investments as on 31.03.2008	Nil	8,289 ## (8,289)
Provision for diminution in value of investments as on 31.03.2008	Nil	2,380 @@ (2,380)
Amount due to Company as at 31.3.2008	2,700 + (2,700)	152,466 ^^^ (115,620)
Provision for doubtful advances as on 31.03.2008	Nil	25,847 \$ (25,847)
Amount due from Company as at 31.03.2008	3,133 ++ (125)	23,753 ### (20,401)
Remuneration paid	11,621 \$\$ (11,467)	Nil
Shares allotted during the year (Face Value & premium)	Nil	60,000 !! (-)
Guarantees given by the Company and outstanding at the end of the year	Nil	128,500 !!! (128,500)

KIRLOSKAR ELECTRIC COMPANY LTD.

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

* Includes Purchases of goods/ services from Kirloskar Batteries Private Limited Rs.69,415 (previous year Rs.63,153), Vijay Farms Limited Rs.5,174 (Previous year Rs.4938), Sri Vijaydurga Investments and Agencies Private Limited Rs.6,719 (Previous year Rs.3,537), Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.14,495), Abhiman Trading Company Limited Rs.6,043 (Previous year Rs.6,138) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.10)

\$ Includes Sale of goods/ fixed assets to Kirloskar Batteries Private Limited Rs.17,995 (Previous year Rs.45,536) Kirloskar Power Equipment Limited Rs.Nil (Previous year Rs.2,712) and Ravindu Motors Private Limited Rs.189 (Previous year Rs. Nil).

^ Dividend received from Kirloskar Power Equipment Limited.

@ Includes Rent paid to Meena Kirloskar Rs. 1,500 (Previous year Rs.1,500) and Vijay R Kirloskar Rs.3,600 (Previous year Rs.Nil)

** Represents rent paid to Vijay Jyothi Investments and Agencies Private Limited

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

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

+ Represents due from Meena Kirloskar (previous year 2,700)

^^^ Includes due from Kirloskar Power Equipment Limited Rs.31,702 (previous year Rs.2,509), Kirloskar Computer Services Limited Rs.22,165 (Previous year Rs.18,773), Vijay Farms Limited Rs.18,660 (Previous year Rs. 18,374), Kirloskar Batteries Private Limited Rs. Nil (Previous year Rs.53,875), Vijay Jyothi Investments and Agencies Private Limited Rs.69,114 (Previous year Rs. 11,217), Abhiman Trading Company Limited Rs.7,372 (Previous year Rs. 7,372), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Ravindu Motors Private Limited Rs.Nil (Previous year 67) and Vijaydurga Investments and Agencies Limited Rs.3,393 (Previous year Rs. 3,373).

++ Includes due to Vijay R Kirloskar Rs.2,988 (Previous year Rs. Nil) and Meena Kirloskar Rs.125 (Previous year Rs.125).

\$ Represents Kirloskar Computer Services Limited.

\$\$ Includes paid to Vijay R Kirloskar Rs.4,744 (Previous year Rs.4,757), P S Malik Rs.5,689 (Previous year Rs. 4,650), Janki Kirloskar Rs.1,188 (Previous year Rs.928) and D R Venkatesh Murthy Rs. Nil (Previous year Rs.1,132).

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

!!! Represents issued on behalf of Kirloskar Batteries Private Limited.

Includes due to Kirloskar Batteries Limited Rs.13,087 (Previous year Rs.291), Ravindu Motors Private Limited Rs.146 (Previous year Rs.146), Vijay Farms Private Limited Rs.117 (Previous year Rs.44), Sri Vijayadurga Investments and Agencies Pvt Ltd Rs.1,900 (Previous year Rs.981), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.5,037 (Previous year Rs.Nil), Abhiman Trading Company Limited Rs.3,466 (Previous year Rs. 3,811), Kirloskar Computer Services Rs.Nil (Previous year Rs.2,028) and Kirloskar Power Equipment Limited Rs. Nil (Previous year Rs.13,100).

14. Finance Leases: (Note 18 of Schedule 'O' of Consolidated 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.

Rs. in 000s

Particulars	Total minimum lease payments outstanding as at 31.03.2008	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2008
Within One year	20,066	8,511	11,555
Later than one year but not later than five years	86,389	18,498	67,891
Later than five years	441	73	368
Amount disbursed for which installment schedule yet to be finalized	-		3,130
Total	106,896	27,082	82,944

KIRLOSKAR ELECTRIC COMPANY LTD.

15. (Note 19 of Schedule 'O' of Consolidated 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 Rs.34,214 (Rs.4,547).

16. **Earnings per share:** (Note 20 of Schedule 'O' of Consolidated financial statements)

(Rs in 000's)

PARTICULARS	31.03.2008	31.03.2007
BASIC :		
After extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	600,897	331,734
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	12.01	10.29
Before extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less: extraordinary item (net of tax)	1,606	80,158
	619,087	261,404
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	599,291	241,608
Weighted No. of Equity Shares for Basic EPS *	50,021,367	31,268,817
Basic EPS (Rs.)	11.98	7.73
DILUTED :		
After extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	600,897	321,734
No. of Equity Shares for Diluted EPS *	50,021,367	33,268,817
Diluted EPS (Rs.)	12.01	9.67
Before extraordinary items		
Profit for the year after tax expense	620,693	341,562
Less: extraordinary item (net of tax)	1,606	80,158
	619,087	261,404
Less:		
Preference Dividend including dividend tax @	19,796	19,796
	599,291	241,608
Weighted No. of Equity Shares for Basic EPS *	50,021,367	33,268,817
Basic EPS (Rs.)	11.98	7.26

@ Taking into account dividend relating to KSL

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

17. **DETAILS OF DEFERRED TAX LIABILITY:** (Note 21 of Schedule 'O' of Consolidated financial statements)

Rs. in 000s

	As at 31.03.2008	As at 31.03.2007
Liability relating to value of fixed assets	282,913	234,019
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	282,913	234,019
Net amount	Nil	Nil

KIRLOSKAR ELECTRIC COMPANY LTD.

18. (Note 22 of Schedule 'O' of Consolidated financial statements) During the year the company has made provisions towards warranty claims from the customers towards sales and leave to employees, the details of the same are as under:

Particulars	Rs. in 000s	
	Leave	Warranty Claims
Balance outstanding at the beginning of the year	4,445	10,417
Taken over pursuant to Scheme	20,228	25,336
Provision for the year (net)	16,498*	8,606
Amount paid	3,499	-
Balance outstanding at the end of the year	37,672	44,359
*Includes Rs.5,753 (in 000's) in terms of transitional provisions of AS -15 (Revised).		

19. (Note 23 of Schedule 'O' of Consolidated financial statements) There were no derivative instruments outstanding as at March 31, 2008. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2008 is as follows:

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

20 Key Ratios:

		Current Year	Previous Year
a)	Total Income/ Total Assets	1.51	1.41
b)	Net Profit before interest and tax /Capital Employed %	34.62	28.52
c)	Return on Net worth %	48.62	53.84
d)	Net Profit/ Total Income %	7.47	6.17

Notes:

Total Assets is net of capital work in progress and revaluation reserve.

Capital employed includes share holders funds, debt funds and is net of revaluation reserve and reconstruction reserve and capital work in progress.

Net worth includes shareholders funds and is net of revaluation reserve and reconstruction reserve.

21. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.
22. The current year figures are combined figures of the Company, and operating business of KPEL taken over pursuant to Scheme and previous year figures are not comparable. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary. Figures in brackets represent previous year figures.

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 62nd Annual General Meeting of the Company at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore at 10.00 A.M. on Thursday, the 24th September, 2009.

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 62nd Annual General Meeting of the Company to be held at Chowdiah
Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore. On Thursday, the
24th September, 2009 and at any adjournment thereof.

As witness my hand /our hand this _____ day of _____ 2009

Signed by the _____

Affix
Rs. 1
Revenue
Stamp

L.F. No. :

Client ID : NSDL

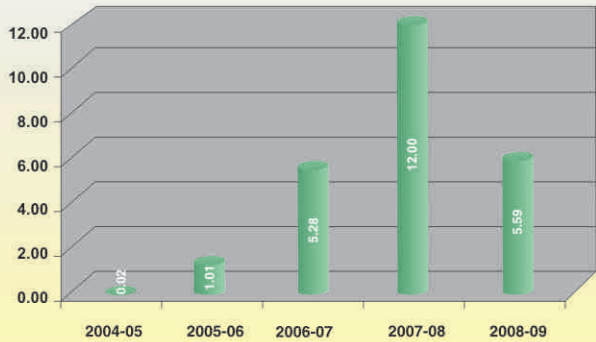
Client ID : CDSL

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.

Financial Summary

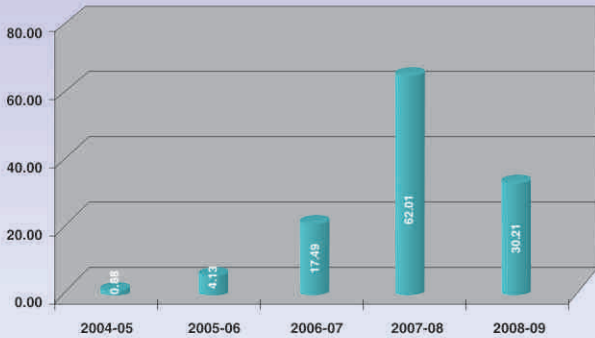
EPS over the Years

In INR



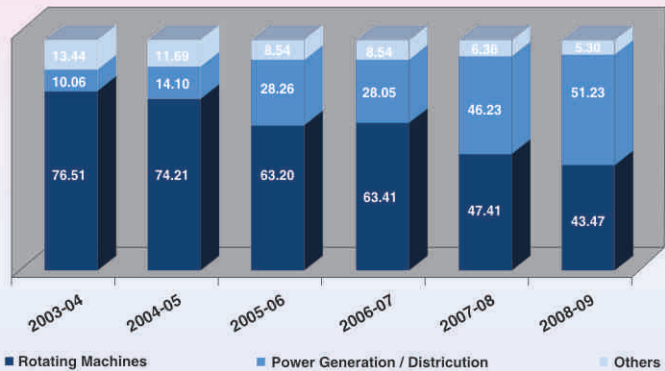
Growth of PAT (Profit After Tax)

In INR Crore



Evolution of Segmental Income in Net Revenue

In Percentage



Kirloskar Electric Acquires Lloyd Dynamowerke Gmbh & Co KG

LDW

Lloyd Dynamowerke GmbH & Co.

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

LDW Profile:

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

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

LDW has been manufacturing generators for industrial applications since 1915.

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

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

Products

AC Motors
Synchronous Generators

DC Motors
Asynchronous Motors

Product Range

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

The range of products include:

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

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

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

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

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





Achievements

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



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



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



BOOK-POST



If undelivered please return to:

KIRLOSKAR ELECTRIC COMPANY LTD.

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