KIRLOSKAR ELECTRIC COMPANY LTD.

End-to-end presence in electrical engineering

69th

Annual Report

2015-2016

Regd. Office: Industrial Suburb, Rajajinagar, Bengaluru-560 010

CIN: L31100KA1946PLC000415

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KIRLOSKAR ELECTRIC COMPANY LTD

BOARD OF DIRECTORS	Vijay R. Kirloskar	*- Executive Chairman*
	S.N. Agarwal	
	Anil Kumar Bhandari	
	Sarosh J Ghandy	
	V.P. Mahendra	
	Kamlesh Gandhi	
	K. Ganesh	*- LIC's Nominee*
	Meena Kirloskar	
	Janaki Kirloskar	
	Ashok Misra	
	Anand B Hunnur	*- Director – Sales*
	Vinayak Narayan Bapat	*- Managing Director*
ASSOCIATE VICE PRESIDENT-LEGAL & COMPANY SECRETARY	Chinmoy Patnaik	
AUDITORS	B.K. Ramadhyani & Co. LLP, Bengaluru	
BANKERS	Bank of India Axis Bank State Bank of Hyderabad State Bank of Mysore State Bank of Travancore Bank of Commerce, Kualalumpur (Malaysia) ICICI Bank Ltd.	
REGISTERED OFFICE	Industrial Suburb, Rajajinagar Bengaluru – 560 010	
FACTORIES	Survey No.16, Govenahalli, Thyamagondlu Hobli, Nelamangala Taluka, Bengaluru Rural District -562123	
	R.S. No. 88 and 89 of Rayanal Taluka, Hubballi	
	Survey No. 81/3, Kachenahalli, Budihal, Nelamanagala Taluka, Bengaluru Rural – 562123	
	Survey No.16/1, Gabbur Village, P B Road, Hubballi – 580 028	
	Survey No. 14-18, 22, 30, 31 and part of 36 and 37 at Belawadi Industrial Area, Mysore	
	Survey No. 120, plot no. 6B1 situated in Hirehalli Industrial Area, Hirehalli Village, Urdagere Hobli, Tumkur	
	Block no. 309/1, 319/2, 317, 318, 315 situated at Kondapuri, Shirur, Pune	
	NH-6, Jaladhulagori P.O - Dhulagorl, PS – Sankrail, Howrah - 711302	

Board's Report

Dear Members,

Your directors have the pleasure of presenting the 69th Annual Report on the business and operations of your company, together with the audited financial statement (including the consolidated financial statement) of your company for the financial year ended March 31, 2016.

Performance review and the state of company's affairs

During the year under report, your company achieved a turnover of ₹ 54,775/- lakhs (previous year ₹ 51,081/- lakhs). The operations have resulted in net loss of ₹ 3,113/- lakhs (previous year ₹ 12,975/- lakhs).

In view of the losses, your directors do not recommend any dividend for the year.

The Financial Highlights of the company are as follows:

(₹ Lakhs)

PARTICULARS	**2015-16**	2014-15
Total Revenues	**54, 775.15**	51, 080.32
Profit before depreciation and taxes	**(5268.22)**	(10590.32)
Profit before taxes	**(3113.04)**	(12974.63)
Provision for taxes (Incl. Deferred Tax)	-	-
Profit for the year after taxes	**(3113.04)**	(12974.63)
Balance brought forward from previous year	**(5992.93)**	(6284.82)
Profit available for appropriation	-	696.88
Transfer to general reserve	-	-
Balance carried to balance sheet	**(9105.97)**	(5992.93)

Details in respect of adequacy of internal financial controls with reference to the financial statement

The company has system of internal financial control, which is in operation.

Details of subsidiary companies

Your company has six wholly owned subsidiaries and one associate company.

Report on the performance and financial position of each of the subsidiaries & associate company has been provided in **Form AOC-1** appended to this report.

Fixed Deposits

SL. No.	Particulars	Amount in Lakhs
1.	Accepted during the year	Nil
2.	Remained unpaid or unclaimed at the end of the year.	2, 752
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved • At the beginning of the year • Maximum during the year • At the end of the year	 NA
4.	Details of deposits which are not in compliance with the requirements of Chapter V of the Act	NIL

Share Capital

Your company had issued 1,595,890 Compulsorily Convertible Preference Shares (CCPS) of ₹ 100/- each to Mr. Vijay R Kirloskar, Executive Chairman, during the financial year 2014 -15. According to the terms of the issue, the CCPS were required to be converted into Equity Shares in two tranches within a period of eighteen months from the date of the issue. In accordance with the terms of the issue, the Board of directors at its meeting held on February 11, 2016 approved conversion of first tranche aggregating to 777,485 CCPS. Upon the conversion, 2,554,156 Equity Shares of ₹ 10/- each were issued at a premium of ₹ 20.44/- per share to Mr. Vijay R Kirloskar.

As at March 31, 2016, the paid up share capital of the company was ₹ 639,177,730/- divided into 55,733,723 Equity Shares of ₹ 10/- each and 818,405 Compulsorily Convertible Preference Share of ₹ 100/- each.

Statutory audit:

M/s. B.K. Ramadhyani & Co. LLP (LLP registration No. AAD-7041), Chartered Accountants, and M/s. Sunder & Associates (AF No. 1172), Chartered Accountants, Malaysia, are the retiring auditors. They are eligible for reappointment and have submitted written consents along with other documents as required under the applicable provisions of the Companies Act, 2013. The audit committee and the Board have recommended M/s. B.K. Ramadhyani & Co. LLP, Chartered Accountants, to be appointed as auditors of the company for the financial year ended March 31, 2017 and M/s. Sunder & Associates, Chartered Accountants, Malaysia, as auditors to audit the accounts of the Malaysia sales office and report thereon.

Internal audit

The company has appointed M/s. KPMG Ltd. as its internal auditors.

Cost audit

M/s. Rao, Murthy and Associates, Cost Accountants, were appointed as cost auditors of the company for the financial year ended March 31, 2016. Your company has fixed ₹ 4, 50,000/-as audit fees, which requires ratification by the members of the company in terms of the applicable provisions of the Companies Act, 2013.

The audit committee of the Board and the Board of directors has recommended M/s. Rao, Murthy and Associates, Cost Accountants, for appointment as cost auditors of the company for the financial year 2016-17. Appropriate resolution seeking members approval on the proposed appointment including the audit fees payable to them are set forth in the notice of the 69th annual general meeting of the company.

Secretarial Audit:

M/s. Swaroop, Ravishankar & Associates, Company Secretaries were appointed as secretarial auditor for the financial year ended March 31, 2016 to conduct secretarial audit in terms of the provisions of Section 204 of the Companies Act, 2013 and the audit report is enclosed as **Form MR - 3.**

Extract of annual return

According to the provisions of Section 92(3) of the Companies Act, 2013, an extract of the annual return is appended hereto as **Form MGT-9,** which forms part of this report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The relevant data pertaining to conservation of energy, technology absorption and other details are given in the **Annexure - I**, which forms part of this report.

Directors and key managerial personnel

Mrs. Meena Kirloskar, director, is liable to retire by rotation and, being eligible, seeks reappointment.

Late Shri A.S. Lakshmanan, director, passed away on October 13, 2015.

Mr. Ram J. Shahaney, director has resigned from the Board of directors effective from March 14, 2016.

Dr. Ashok Misra, director, has been appointed as an independent director for a period of consecutive five years effective from November 5, 2015. His appointment is being proposed for approval of the members at the 69th annual general meeting.

In terms of the provisions of Section 149 (7) of the Companies Act, 2013, the company has received declarations from all the independent directors stating that they continue to meet the criteria of independence as provided under the provisions of Section 149 (6) of the Companies Act, 2013.

Mr. Chinmoy Patnaik has been appointed as Associate Vice President – Legal and Company Secretary effective from November 18, 2015.

Board evaluation

Your company believes that it is the effectiveness of the Board that contributes to the company's performance. The criteria for Board evaluation contemplates evaluation of directors' performance based upon their performance as directors apart from their specific role as independent, non-executive and executive directors. Details on the committees of the Board are provided in the corporate governance report attached to this annual report.

The criteria also specifies that the Board would evaluate each committee's performance based on the mandate on which the committee has been constituted and the contributions made by each member of the said committee in effective discharge of their responsibilities.

The Board of directors of your company has made annual evaluation of its performance, its committees and directors for the financial year 2015-16.

Number of meetings of the Board of directors

Seven meetings of the Board of directors were held during the year 2015-16. For further details, please refer to the corporate governance report.

Vigil mechanism for directors and employees

The company has adopted a Whistle Blower Policy establishing vigil mechanism, to provide a formal mechanism to the directors and employees to report their concerns about any poor or unacceptable practices or any event of misconduct or violation of company's code of conduct. The purpose of this policy is to provide a framework to secure whistle blowing. It is to protect the employees who are willing to blow whistles. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the company has been denied access to the Audit Committee. The policy of Vigil Mechanism is available on the company's website *(URL:http://www.kirloskar-electric.com/images/pdf/investor/policies/Whistle-Blower-Policy.pdf).*

Particulars of contracts or arrangements with related parties

The particulars of every contract or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto are disclosed in **Form No. AOC -2** appended hereto. The Policy on Related Party Transaction is available on the company's website *(URL:http://www.kirloskarelectric.com/images/pdf/investor/policies/RPT-policy.pdf).*

Managerial remuneration

The information required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is disclosed in the **Form MGT – 9.**

Corporate Governance

Your company's corporate governance report for the fiscal 2016 is attached to this annual report. A certificate on the status of compliance on corporate governance is also appended and forms part of this annual report.

Management Discussion and Analysis

Management discussion and analysis is appended hereto as **Annexure – II** and forms part of this report.

Nomination and Remuneration Policy

The company has adopted nomination and remuneration policy, which is appended to this report as **Annexure – III.**

Risk Management Policy

The company has also adopted and implemented a policy on Risk Management, which is appended to this report as **Annexure – IV**.

Particulars of employees

In terms of the provisions of Section 197 (12) of the Companies Act, 2013, the names and other particulars of specified employees are set out in the annexure to the Board's Report. Having regard to the provisions of section 136 (1) of the Companies Act, 2013, 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.

Particulars of loans, guarantees or investments

The details of loans, guarantees or investments made during the year are given below: (₹ In Lakhs)

Sl. No.	Companies	Nature of Transaction	Loans	Guarantees	Investments
1.	KELBUZZ Trading Private Limited	Investment in Shares	Nil	Nil	Nil
2.	Luxquisite Parkland Private Limited	Investment in Shares	Nil	Nil	Nil
3.	SLPKG Estate Holdings Private Limited	Investment in Shares	Nil	Nil	Nil
4.	SKG Terra Promenade Private Limited	Investment in Shares	Nil	Nil	Nil
5	Kirsons B.V	Investment in Shares	Nil	Nil	Nil
6.	Swaki Habitat Private Limited	Nil	Nil	Nil	1.00
7.	Kesvik Developers Private Limited	Nil	Nil	Nil	1.00

Director's Responsibility Statement

We, the directors of your company, confirm, to the best of our knowledge and ability, that -

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) we had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) we had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) we had prepared the annual accounts on a going concern basis; and

(e) we had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) we had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Explanations or comments on auditors' qualifications / adverse remarks / emphasis on matters:

A. Auditor's 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 on page 52.

B. Secretarial Audit Report

In reply to the comments offered by the secretarial auditor, we wish to offer response as under:

Remark/ comment of the auditor

"The company has not filed standalone financials for its subsidiary companies and consolidated financials for the year."

Management's response

The company faced technical issues while uploading the concerned forms on the website of the Ministry of Corporate Affairs (MCA). The company raised tickets, approached MCA help desk number of times and also wrote to Registrar of Companies seeking resolution on the matter. The company could upload the forms on July 27, 2016.

Acknowledgements:

The Board of directors took this opportunity to express its sincere appreciation for the continued support and confidence received from the company's Bankers, customers, suppliers, depositors and the shareholders.

The company considers its employees as its most important asset. Employees at all levels have put in their best to the services of the company and the Board puts on record the sincere appreciation of their dedication and loyalty.

For and on behalf of the Board of directors,
Kirloskar Electric Company Limited

Place: Bengaluru
Date: 12.08.2016

Vijay R Kirloskar
Executive Chairman

Annexure I

DISCLOSURE OF PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

A. Conservation of Energy:

a) Energy conservation measures taken:

The Company conserves energy by

1. Improving system power factor.
2. Reduction of maximum demand and restricting the maximum demand to billing demand.
3. Monitoring of energy consumption and further requisite follow-up.
4. Optimum utilization of high energy consuming electrical equipments like ovens, winding machines.
5. Air-Compressor Pressure is maintained at reduced pressure with fixed timing and air leakages arrested.
6. Installation of capacitor panels.

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

1. Implementation of induction brazing processes.
2. Optimization of varnish impregnation process
3. Installation of system to ensure uniform temperature.
4. Energy Conservation Audit through External Audit Agency.

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

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

d) Total energy consumption and energy consumption per unit of production
Not Applicable

B. Technology Absorption:

1. Research and Development

Engineering Development is undertaken for the range of all the existing products, lowering costs and process improvements, Indigenization or alternate sourcing of materials and development of energy efficient products with added features.

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

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

3. Future plan of action:

To enhance product performance and for better customer satisfaction, your company will continue in:-

a. Upgrading existing technology.
b. Extending range of its products.
c. Adopting new processes.
d. Applying value engineering.

4. Expenditure on R & D: (₹ in Lakhs)

Capital	Nil
Recurring	11.01
Total	11.01
Total R & D Expenditure	11.01
as a % of total turnover	0.02%

5. Technology Absorption, Adaptation and Innovation:

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

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

b. Benefits derived as a result of the above efforts

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

c. Future Plan of Action

- Upgradation of existing technology
- Development of new processes

d. Technology imported during the last 5 years.

- Technology Imported – Nil
- Has the technology been fully absorbed? If not fully absorbed, areas where this has not taken place, reasons there for and future plan of action – NA

C. Foreign Exchange Earnings and Outgo:

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

   The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth ₹ 3887.24 Lakhs.

2. Total foreign exchange used and earned.

	(₹ in Lakhs)
a) Foreign Exchange earned:	
(i) FOB value of goods exported (net) of sales within India eligible for export incentives	3887.24
(ii) Dividend on shares (net of tax)	8.52
(iii) Repatriation of Profit	Nil
(iv) Others	902.45
b) Foreign Exchange Used Value of imports calculated on the CIF basis.	
(i) Raw materials & Components and spare parts	417.35
(ii) Capital Goods	13.78

For and on behalf of the Board of directors,
Kirloskar Electric Company Limited

Place: Bengaluru
Date: 12.08.2016

Vijay R Kirloskar
Executive Chairman

Annexure II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Outlook

Your company is engaged in business in the Electrical Industry which comprises of Rotating Machines Group, Static Equipments, Switchgears, Transformers, Capacitors, Transmission Lines etc., Slowdown in the economy affected growth of the business segment as demand for capital goods generally follows a cyclical pattern depending on the overall economic scenario and the investment priorities of the Government. Nevertheless there are signs of revival and your company is geared to perform better in the coming years.

The market for your company's products remained subdued. The present manufacturing capacity in India is in excess of the existing demand. This has lead to aggressive competition and subsequent pressure on the prices of the products.

Your company has taken several bold steps to remain competitive by reducing cost, rationalizing manpower and streamlining operations. The strong brand image of the company's products on account of our stress on quality puts us in an advantageous position.

Opportunities and competition

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

Threats

The existing uncertainty over policy decisions and delayed project clearance coupled with weakening rupee and increase in cost of funds could result into slower revival of the capital goods industry. The Industry is becoming highly competitive. The actual performance may differ, as it is dependent on several factors beyond control of your company.

Segment wise or product wise performance

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

The segment wise turnover of your company is as follows:

(₹ in lakhs)

Products	**2015-16**	**2014-15**
Rotating Machines Group	29,093	26,611
Power Generation and Distribution Group	25,141	22,873
Others	2,875	2,658
Total	**57,109**	**52,142**

Exceptional Items

Exceptional items for the year ended March 31, 2016 amounted to ₹ 2155.18 lakhs which resulted due to the sale of 6,174,878 Equity Shares of ₹ 10/- per share held by KECL Investment Trust, for which the company was the sole beneficiary in terms of scheme of arrangement approved by the Hon'ble High Court of Karnataka under the provisions of Section 391 – 394 of the erstwhile Companies Act, 1956.

Future Outlook

Global economies continue to undergo the phase which is having greater share of volatility than that of stability. High interest costs, low corporate investments, high inflation and trade deficits continue in this fiscal. More measures are needed from the Government to kick-start the investment cycle growth.

Nevertheless, the various industries to which your company caters are expected to do better and demand from them is expected to pick up.

In view of the above, your company is hopeful of recording improved operating performance in the current fiscal.

Risks mitigation measures

Your company recognizes the growth as major risks and has initiated the following measures for mitigating the above business related risks:

Your company upgrades its engineering strength and design capabilities by incorporating latest technologies in its products. Reduction in production-distribution costs and improvement in operating efficiencies are continuously pursued enabling it to offer competitive prices. The wide portfolio of products gives your company a competitive advantage, as we can cater to the major verticals of the power generation industry.

Your company recognizes the importance of its supply chain in sourcing good quality raw materials and other inputs at competitive prices with high reliability in meeting delivery timelines.

Internal Control System

Your company has established adequate internal control procedures commensurate with the nature of its business and size of its operations. To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management follows a system of accounting and necessary controls are reviewed by internal audit process. Internal controls are evaluated by the Internal Auditors and supported by Management reviews. All audit observations and follow up actions thereon are initiated for resolution by the respective functions.

For and on behalf of the Board of directors,
Kirloskar Electric Company Limited

Place: Bengaluru
Date: 12.08.2016

Vijay R Kirloskar
Executive Chairman

Annexure III

NOMINATION AND REMUNERATION POLICY

In pursuance of the company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and employees of the company, to harmonize the aspirations of human resources consistent with the goals of the company and in terms of Section 178 of the Companies Act, 2013 and clause 49 of the listing agreement as amended from time to time this policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the committee and approved by the Board of directors.

Objective and purpose of the Policy:

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
2. To determine remuneration based on the company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of directors, as well as key managerial and senior management personnel.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Composition of the committee:

Mr. S.N. Agarwal - Chairman

Mr. A.S. Lakshmanan* - Member

Mr. Anil Kumar Bhandari - Member

Mr. Sarosh J Ghandy - Member

Mrs. Meena Kirloskar - Member

** Late Shri. A.S Lakshmanan is no longer in the committee from October 13, 2016.*

The Board has the power to reconstitute the committee consistent with the company's policy and applicable statutory requirement.

Definitions:

(a) Key Managerial Personnel:

(KMP) Key Managerial Personnel means—

(i) Chief Executive Officer or the managing director or the manager;

(ii) Company secretary,

(iii) Whole-time director;

(iv) Chief Financial Officer; and

(v) Such other officer as may be prescribed.

(b) Senior Management: Senior Management means personnel of the company who are members of its core management team excluding the Board of directors. This would also include all members of management one level below the executive directors including all functional heads.

Applicability:

The Policy is applicable to

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management Personnel

General Terms:

This Policy is divided in three parts:

Part – A : covers the matters to be dealt with and recommended by the committee to the Board.

Part – B : covers the appointment and nomination.

Part – C : covers remuneration and perquisites etc.

PART – A

MATTERS TO BE DEALT WITH PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE

The committee shall:

- o Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- o Identify persons who are qualified to become director and persons who may be appointed in key managerial and senior management positions in accordance with the criteria laid down in this policy.
- o Recommend to the Board, appointment and removal of director, KMP and senior management personnel.

PART – B

POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

• Appointment criteria and qualification:

1. The committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, KMP or at senior management level and recommend to the Board his / her appointment.
2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. The company shall not appoint or continue the employment of any person as Whole time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

Term / Tenure:

1. Managing Director/Whole-time Director:

   The company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. Independent director:

   - An independent director shall hold office for a term up to five consecutive years on the Board of the company and will be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.
   - No independent director shall hold office for more than two consecutive terms, but such an independent director shall be eligible for appointment after expiry of three years of ceasing to be an independent director. Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.
   - However, if a person who has already served as an independent director for 5 years or more in the company as on 1st October, 2014 or such other date as may be determined by the committee as per regulatory requirement, he / she shall be eligible for appointment for one more term of 5 years only.

- At the time of appointment of an independent director it should be ensured that number of Boards on which such independent director Serves is restricted to seven listed companies as an independent director and three listed companies as an independent director in case such person is serving as a Whole-time Director of a listed company.

Evaluation: The Committee shall carry out evaluation of performance of every director, KMP and senior management personnel at regular interval (yearly).

Removal: Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the committee may recommend, to the Board with reasons recorded in writing, removal of a director, KMP or senior management personnel subject to the provisions and compliance of the said Act, rules and regulations.

Retirement: The director, KMP and senior management personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the company. The Board will have the discretion to retain the director, KMP, senior management personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

PART – C

POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

General Terms:

1. The remuneration / compensation / commission, Bonus etc. to the Whole-time Director, key managerial personnel and senior management personnel will be determined by the committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the company and the Central Government, wherever required.

2. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down under the provisions of the Companies Act 2013, and the rules made there under.

3. Increments to the existing remuneration / compensation structure may be recommended by the committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.

4. Where any insurance is taken by the company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Remuneration to Whole-time / Executive / Managing Director / Key Managerial Personnel and Senior Management Personnel:

1. Fixed pay:

The Whole-time Director / KMP and senior management personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the committee and approved by the shareholders and the Central Government, wherever required.

2. Minimum Remuneration:

If, in any financial year, the company has no profits or its profits are inadequate, the company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

3. Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the company and until such sum is refunded, hold it in trust for the company. The company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration to Non- Executive / Independent Director:

1) Remuneration / Commission:

   The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the company and the Companies Act, 2013 and the rules made there under.

2) Sitting Fees:

   The Non - Executive / independent director may receive remuneration by way of fees for attending meetings of Board or committee thereof.

3) Commission:

   Commission may be paid within the monetary limit approved by shareholders, subject to the limit as fixed under various statues.

4) Stock Options:

   An independent director shall not be entitled to any stock option of the company.

Minutes of Committee Meeting:

Proceedings of all meetings must be minuted and signed by the Chairman of the committee at the subsequent meeting. Minutes of the committee meetings will be tabled at the subsequent Board and committee meeting.

Annexure IV

RISK MANAGEMENT POLICY

Risk Management is the process of identifying, measuring and minimizing uncertain events affecting resources. Enterprise risk management is about optimizing the process with which risks are taken and managed. The company needs to assess which method best suits its objectives and its business. Risk management oversees and ensures the integrity of the process with which risks are taken. An attempt has been made by way of this document to identify the risk associated with the company and the policies required to be adopted to mitigate the same.

Risk Management

(i) The Board, its audit committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

ii) The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organization.

KECL recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner

The company believes that the risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

The Risk Management policy of the company shall primarily focus on identifying, assessing and managing risks in the following areas:

1. Company assets and property
2. Employees
3. Foreign Currency Risks
4. Operational Risks
5. Non-compliance of statutory enactments
6. Competition risks
7. Contractual risks

1. Policy for managing risks associated with company assets and property

The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The risk management policy relating to assets aims at ensuring proper security and maintenance of assets and adequate coverage of insurance to facilitate speedy replacement of assets with minimal disruption to operations. The role and responsibilities of the departments shall be identified to ensure adequate physical security and maintenance of its assets.

2. Policy for managing risk relating to employees

The employees constitute the most important asset of the company. The risk management policy relating to employees is therefore necessary to cover all risks related to employees and their acts/omissions.

The policy deals with the nature of risk involved in relation to employees, objectives of risk management and measures to manage risk. In particular, the objectives of employee related risk management policy aims at reducing attrition rate, providing adequate security to employees in relation to life, disability, accident and sickness, providing adequate legal safeguards to protect confidential information, and protecting the company from any contractual liability due to misconduct/ errors/omissions of employees.

3. Policy for managing foreign currency risk

The revenues of the company are from both domestic and international sources. The company at times may resorts to long-term and short-term borrowings in foreign currency to finance expansion plans and growth. Any such move would attract the risk associated with frequent changes in valuation of foreign currencies.

The objective of foreign currency risk management is to protect cash flows and profit margins from volatility on account of fluctuations in exchange rates. The Policy for foreign currency risk management ensures that the treasury department continuously tracks movement of foreign currencies, avails services of experts and hedges the risk through appropriate mechanism such as forwarding contracts/options.

4. Operational Risks

The company is constantly working to limit the operational risk that run through all the facets of operations. This requires the combined efforts and support from all units including branches. The startup database of loss events is populated from internal audit reports. Apparent trends are analyzed and various operating groups combine into task forces to address these. The business continuity plan is reviewed quarterly by each unit.

5. Risks associated with Non-Compliance of statutory enactments

The company being a legal entity engaged in manufacturing activity and listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). In view of the same, the company is required to ensure compliance of provisions of various applicable statutory enactments, failure to comply one or more such provisions may render strict penalties as may be prescribed under such statutory enactments.

The company shall ensure that qualified professionals are employed to comply with various laws. In addition to statutory audits, the company shall promote undertaking of internal audit/s at different levels periodically to ensure timely check on statutory compliances.

6. Competition risks

Risk of competition is inherent to all business activities. The company faces competition from the existing players in the domestic and international levels operating in the segment in which the company operates. There is always an inherent risk that the existing competition may further get acute with the advent of new players and foreign players.

The company needs to continuously upgrade its technology by conducting in-house development activities and should also have an updated knowledge about the requirement as per the industry standards. The company is providing tailor made products to its customers so as to be ahead with other competitors. Further, the company's strategy shall be to leverage its investments in its own high-profile brands, thereby leading to consolidation and value creation.

7. Contractual risks

There may be instances of defaults by customer/s in fulfilling contractual obligations as a result of which the company may face financial losses. Similarly, defaults by the company in fulfilling one or more contractual obligations due to reasons such as misrepresentations, breach of warranties etc cannot be ruled out.

The company shall ensure that proper drafting of the contract and adequate indemnity clauses are incorporated in the contracts entered into with one or more parties, In addition, internal controls from technical team and strict supervisions and checks on execution of contracts and delivery be undertaken.

Form AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 of the Companies Act, 2013 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Share Capital (In Rs.)	Reserves & Surplus (In Rs.)	Total Assets (In Rs.)	Investments (In Rs.)	Turnover (In Rs.)	% of Shareholding	
							Equity Share capital	Preference share capital
1.	KELBUZZ Trading Private Limited	40,455,000/-	(55,656,434)	962,076,113	Nil	Nil	100	100
2.	Luxquisite Parkland Private Limited	606,500,000/-	(6,060,225)	606,532,135	606,300,000	Nil	100	100
3.	SKG Terra Promenade Private Limited	200,000/-	(8,628,245)	359,976,615	Nil	Nil	100	100
4.	SLPKG Estate Holdings Private Limited	1,000,000/-	(28,150,467)	775,814,795	Nil	Nil	100	100
5.	Swaki Habitat Private Limited	100,000/-	(21,665)	99,880	Nil	Nil	100	Nil
6.	Kesvik Developers Private Limited	100,000/-	(22465)	99,880	Nil	Nil	100	Nil

Part B: Associate Companies/ Joint Ventures

Sl. No	Name of the Subsidiary	Latest Audited Balance Sheet Date	Shares of Associate/Joint Ventures held by the company on the year end	Description of how there is significant influence	Reason why the associate/joint venture is not consolidated	Networth attributable to Shareholding as per latest audited Balance Sheet*	Profit / Loss for the year*
1.	Kirloskar Malaysia Sdn Bhd	31-03-2015	300,000	30% of shares held by KECL	NA	(Refer Note)	(Refer Note)

* Since the networth of the associate is negative, the loss is restricted to the value of the investments.

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:-

Kirloskar Electric Company Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2015-16.

2. Details of material contracts or arrangement or transactions at arm's length basis

(a) Name(s) of the related party and nature of relationship:

1. Abhiman Trading Company Private Limited, Mrs. Meena Kirloskar is the interested director of the company
2. Lakshmanan Isola Private Limited, Mr. A.S. Lakshmanan was interested director of the company
3. Senapathy Whitley Private Limited, Mr. A.S. Lakshmanan was interested director of the company
4. Sri Vijayadurga Investments and Agencies Pvt Ltd, Mrs. Meena Kirloskar is the interested director of the company
5. Vijayjyothi Investments and Agencies Pvt Ltd, Mrs. Meena Kirloskar is the interested director of the company
6. Transport Corporation of India Ltd, Mr. S.N Agarwal is the interested director of the company
7. Vijaya Farms Pvt Ltd, Mrs. Meena Kirloskar is the interested director of the company
8. Kirloskar Power Equipments Limited, Mr. Vijay R Kirloskar is interested director of the company
9. Kirsons Trading Pte Ltd, Mr. Vijay R Kirloskar is interested director of the company
10. Jubilant Life Sciences Limited, Dr. Ashok Misra is interested director of the company
11. Bangalore Motors Pvt Ltd, Mr. V.P. Mahendra is interested director of the company
12. Kirloskar (Malaysia) SDN BHD, Mr. Vijay R Kirloskar is interested director of the company
13. Lloyd Dynamowerke GmBh & Co. KG, Mr. Vijay R Kirloskar is interested director of the company
14. Bhagyanagar India Limited, Mr. Kamlesh Gandhi is the interested director of the company
15. Maini Materials Movement Pvt Ltd, Mr. Sarosh J Ghandy is the interested director of the company
16. Kirloskar Batteries Pvt Ltd, Mr. Vijay R Kirloskar is interested director of the company
17. Kelbuzz Trading Private Limited, a wholly owned subsidiary company.
18. Ravindu Motors Private Limited, Mrs. Meena Kirloskar is the Managing Director of the company.
19. Best Trading Agencies Limited, Director holds more than 2% of its paid up capital.
20. SKG Terra Promenade Private Limited, a wholly owned subsidiary company.
21. SLPKG Estate Holdings Private Limited, a wholly owned subsidiary company.

(b) Nature of contracts/arrangements/transactions:
Sales, purchases of goods, materials and services

(c) Duration of the contracts / arrangements/transactions:
Agreement is perpetual until terminated by either party.

(d) Salient terms of the contracts or arrangements or transactions including the value, if any:
Standard terms and Conditions

(e) Date(s) of approval by the audit committee in their meeting, if any:

1. May 29, 2015
2. August 13, 2015
3. November 05, 2015
4. February 11, 2016

(f) Amount paid as advances, if any: NIL

For and on behalf of the Board of directors
Kirloskar Electric Company Limited

Place: Bengaluru
Date: 12.08.2016

Vijay R. Kirloskar
Executive Chairman

FORM MGT - 9
EXTRACT OF ANNUAL RETURN

[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014]

As on financial year ended on 31.03.2016

I. REGISTRATION & OTHER DETAILS:

1.	CIN	**L31100KA1946PLC000415**
2.	Registration Date	**July 26, 1946**
3.	Name of the Company	**KIRLOSKAR ELECTRIC COMPANY LIMITED**
4.	Category/Sub-category of the Company	**Company Limited by Shares/ Indian Non Government Company**
5.	Address of the Registered office & contact details	**Industrial Suburb, Rajajinagar, Bengaluru – 560010**
6.	Whether listed company	**Listed**
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	**Integrated Enterprises (India) Ltd ,30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru 560 003. Telephone No's: 23460815,23460816,23460817 and 23460818 Fax No. 23460819, Website: www.integratedindia.in Contact Person: Mr. Manjunath, Senior Manager.**

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Electric Motors	31100	49.81%
2	Transformers	31100	22.43%
3	DG Sets	31100	16.69%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
1	**SKG Terra Promenade Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U70100KA2014PTC077579	Subsidiary Company	100%	2(87)
2	**SLPKG Estate Holdings Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U70109KA2014PTC077504	Subsidiary Company	100%	2(87)
3	**Luxquisite Parkland Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U70102KA2014PTC077510	Subsidiary Company	100%	2(87)

4	**KELBUZZ Trading Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U51109KA2014PTC077631	Subsidiary Company	100%	2(87)
5	**Swaki Habitat Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U70100KA2015PTC079374	Subsidiary Company	100%	2(87)
6	**Kesvik Developers Private Limited** Flat No. 10, 2nd Floor, MF/50/10, MF 31 to 59 SFHS, Nandini Layout, Opp Nandini Layout Bus Stand, Bengaluru 560096	U70100KA2015PTC079459	Subsidiary Company	100%	2(87)
7.	Kirloskar Malaysia Sdn Bhd	_	Associate Company	30%	2(6)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	**No. of Shares held at the beginning of the year [As on 01-April-2015]**				**No. of Shares held at the beginning of the year [As on 01-April-2016]**				**% Change during the year**
	DEMAT	**Physical**	**Total**	**% of Total Shares**	**DEMAT**	**Physical**	**Total**	**% of Total Shares**	
A. Promoter(s)									
(1) Indian									
a) Individual/ HUF	6,755,983	-	6,755,983	12.70	93,10,139	-	93,10,139	16.70	4.00
b) Central Govt	-	-	-	-	-	-			
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	20,788,360	-	20,788,360	39.09	20,788,360	-	20,788,360	39.09	0.00
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A)	**27,544,343**	**-**	**27,544,343**	**51.79**	**3,00,98,499**	**-**	**3,00,98,499**	**54.00**	**2.21**
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	691,361	111,164	802,525	1.51	2,60,016	45,266	3,05,282	0.55	(0.96)
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-

f) Insurance Companies	3,240,824	-	3,240,824	6.09	32,40,824	-	32,40,824	5.81	(0.28)
g) FIIs	-	450	450	0.00	-	450	450	0.00	0.00
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	
i) Others (specify)	-	-	-	-	-	-	-	-	
Sub-total (B)(1):-	3,932,185	111,614	4,043,799	7.60	35,00,840	45,716	35,46,556	6.36	(1.24)
2. Non-Institutions									
a) Bodies Corp.	4,036,258	159,833	4,196,091	7.89	39,24,974	31,000	39,55,974	7.10	(0.79)
i) Indian	-	-	-	-	-	-	-	-	
ii) Overseas	-	-	-	-	-	-	-	-	
b) Individuals	-	-	-	-	-	-	-	-	
i) Individual shareholders holding nominal share capital upto Rs. 2 lakh	5,051,750	1,490,392	6,542,142	12.30	81,92,243	15,00,507	96,92,750	17.39	5.09
ii) Individual shareholders holding nominal share capital in excess of Rs.2 lakh	2,325,787	11,372	2,337,159	4.39	47,69,967	-	47,69,967	8.56	4.17
c) Others (specify)									
Non Resident Indians	284,930	27,304	312,234	0.59	995	9,357	10,352	0.02	(0.57)
Overseas Corporate Bodies	-	1,896,044	1,896,044	3.57	-	18,96,044	18,96,044	3.40	(0.17)
Foreign Nationals	-	-	-	-	-	-	-	-	
Clearing Members	132,819	-	132,819	0.25	16,49,100	-	16,49,100	2.96	2.71
Trusts	58	6,174,878	6,174,936	11.61	1,11,981	-	1,11,981	0.20	(11.41)
Foreign Bodies – D R	-	-	-	-	-	-	-	-	
Sub-total (B)(2):-	11,831,602	9,759,823	21,591,425	40.60	18,649,260	3,436,908	22,086,168	39.62	(0.98)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	15,763,787	9,871,437	25,635,224	48.21	2,21,52,600	34,82,624	2,56,35,224	46.00	(2.21)
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**43,308,130**	**9,871,437**	**53,179,567**	**100**	**5,22,51,099**	**34,82,624**	**5,57,33,723**	**100**	**0.00**

B) Shareholding of Promoter-

Sl.No	Shareholder's Name	Shareholding at the beginning of the year [As on 01-April-2015]			Shareholding at the end of the year [As on 31-March-2016]			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encum-bered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encum-bered to total shares	
1	Vijay Ravindra Kirloskar	6,571,469	12.36	-	9,125,625	16.37	42.88	
2	Meena V Kirloskar	97,164	0.18	-	184,514	0.33	100	
3	Rukmini Kirloskar	44,900	0.08	-	-	-	-	
4	Janaki Kirloskar	42,450	0.08	-	-	-	-	
5	Abhiman Trading Company Private Limited	5,217,063	9.81	-	5,217,063	9.36	100	
6	Vijayjyothi Investments and Agencies Private Limited	4,257,682	8.01	-	4,257,682	7.64	100	
7	Vijay Farms Private Limited	3,540,807	6.66	-	3,540,807	6.35	100	
8	Vijaykirti Investments and Agencies Pvt Ltd	3,064,094	5.76	-	3,064,094	5.50	100	
9	Sri Vijaydurga Investments and Agencies Private Limited	1,774,506	3.34	-	1,774,506	3.18	100	
10	Vimraj Investments Pvt Ltd	1,606,483	3.02	-	1,606,483	2.88	100	
11	Kirloskar Power Equipments Ltd	1,141,225	2.15	-	1,141,225	2.05	100	
12	Kirloskar Batteries Pvt Limited	186,500	0.35	-	186,500	0.33	100	
	TOTAL	**27,544,343**	**51.79**	**-**	**30,098,499**	**54.00**	**82.68**	

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of company
	At the beginning of the year	27,544,343	51.79	3,00,98,499	54.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus / sweat equity etc.):	2,554,156 Allotment of Equity shares to Mr. Vijay R Kirloskar on February 11, 2016 upon conversion of CCPS issued under preferential basis	4.58		
	At the end of the year	-	-	3,00,98,499	54.00

D) Shareholding Pattern of top ten Shareholders:

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SL. NO	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR - 01.04.2015					CUMULATIVE SHAREHOLDING DURING THE YEAR - 31.03.2016	
		No. of Shares	% of Total Shares of the Company	Date	Increase/Decrease in Share Holding	Reason	No of Shares	% of Total Shares of the Company
1	KECL INVESTMENT TRUST	6,174,878	11.61	01-04-2015	-	-	6,174,878	11.61
		-	-	**31-12-2015**	-6,174,878	TRANSFER	0	0.00
2	LIFE INSURANCE CORPORATION OF INDIA	-	-	**31-03-2016**	-	-	6,174,878	11.61
		2,576,571	4.85	01-04-2015	NO MOVEMENT DURING THE YEAR			
		-	-	**31-03-2016**	-	-	2,576,571	4.85
3	M/S. HAWKER SIDDELEY MANAGEMENT LTD.,	1,896,044	3.57	01-04-2015	NO MOVEMENT DURING THE YEAR			
		-	-	**31-03-2015**	-	-	1,896,044	3.57
4	RAVIRAJ DEVELOPERS LTD	161,695	0.30	01-04-2015	-	-	161,695	0.30
		-	-	17-04-2015	189,676	TRANSFER	351,371	0.66
		-	-	15-05-2015	24,500	TRANSFER	375,871	0.71
		-	-	29-05-2015	1	TRANSFER	375,872	0.71
		-	-	05-06-2015	-10,000	TRANSFER	365,872	0.69
		-	-	19-06-2015	-20	TRANSFER	365,852	0.69
		-	-	26-06-2015	30,555	TRANSFER	396,407	0.75
		-	-	30-06-2015	743,480	TRANSFER	1,139,887	2.14
		-	-	17-07-2015	-5,600	TRANSFER	1,134,287	2.13
		-	-	24-07-2015	-18,500	TRANSFER	1,115,787	2.10
		-	-	31-07-2015	13,056	TRANSFER	1,128,843	2.12
		-	-	14-08-2015	-80,737	TRANSFER	1,048,106	1.97
		-	-	21-08-2015	-41,003	TRANSFER	1,007,103	1.89
		-	-	28-08-2015	-19,340	TRANSFER	987,763	1.86
		-	-	18-09-2015	6,500	TRANSFER	994,263	1.87
		-	-	09-10-2015	-7,764	TRANSFER	986,499	1.86
		-	-	16-10-2015	-9,892	TRANSFER	976,607	1.84
		-	-	23-10-2015	-949	TRANSFER	975,658	1.83
		-	-	30-10-2015	15,916	TRANSFER	991,574	1.86
		-	-	20-11-2015	-21,500	TRANSFER	970,074	1.82
		-	-	27-11-2015	-25,248	TRANSFER	944,826	1.78
		-	-	04-12-2015	-44,530	TRANSFER	900,296	1.69
		-	-	18-12-2015	-8,667	TRANSFER	891,629	1.68
		-	-	25-12-2015	-142,221	TRANSFER	749,408	1.41
		-	-	31-12-2015	-285,282	TRANSFER	464,126	0.87
		-	-	01-01-2016	3,138	TRANSFER	467,264	0.88
		-	-	15-01-2016	126,401	TRANSFER	593,665	1.12
		-	-	05-02-2016	10,000	TRANSFER	603,665	1.14
		-	-	04-03-2016	-11,000	TRANSFER	592,665	1.11
		-	-	**31-03-2016**	-20,000	TRANSFER	572,665	1.08
5	THE NEW INDIA ASSURANCE COMPANY LIMITED	506,412	0.95	01-04-2015	NO MOVEMENT DURING THE YEAR			
				31-03-2016	-	-	506,412	0.95
6	JAVED SAJJADMEHDI SAIYED	0	0.00	01-04-2015	0	-	-	0.00
		-	-	04-03-2016	337,760	TRANSFER	337,760	0.64
		-	-	11-03-2016	102,428	TRANSFER	440,188	0.83
		-	-	**31-03-2016**	-	-	440,188	0.83

7	PRABHUDAS LILLADHER PVT LTD	0	0.00	01-04-2015	0	--	0	0.00
		-	-	25-03-2016	63,110	TRANSFER	63,110	0.12
		-	-	31-03-2016	265,618	TRANSFER	328,728	0.62
		-	-	**31-03-2016**	0	-	328,728	0.62
8	PRITHVI VINCOM PRIVATE LIMITED	333,429	0.63	01-04-2015	0	-	333429	0.63
		-	-	24-07-2015	-18259	TRANSFER	315170	0.59
		-	-	14-08-2015	-555	TRANSFER	314,615	0.59
		-	-	**31-03-2016**	-	-	314,615	0.59
9	PRABHALA LALITHA	0	0.00	01-04-2015	0	-	0	0.00
		-	-	17-07-2015	90,353	TRANSFER	90,353	0.17
		-	-	24-07-2015	9,647	TRANSFER	100,000	0.19
		-	-	25-12-2015	44,500	TRANSFER	144,500	0.27
		-	-	01-01-2016	155,500	TRANSFER	300,000	0.56
		-	-	**31-03-2016**	-	-	300000	0.56
10	Tejash Finstock Pvt Ltd	418,404	0.79	01-04-2015	0	-	418404	0.79
				17-04-2015	1,373	TRANSFER	419,777	0.79
				15-05-2015	25,000	TRANSFER	444,777	0.84
				25-12-2015	-131,949	TRANSFER	312,828	0.59
				31-12-2015	-31,671	TRANSFER	281,157	0.59
				04-03-2016	3,975	TRANSFER	285,132	0.54
				31-03-2016	-	-	285,132	0.54

E) Shareholding of directors and key managerial personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year (01.04.2015)		Cumulative Shareholding during the year (31.03.2016)	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of company
	At the beginning of the year				
1.	Mr. Vijay R Kirloskar	6,571,469	12.36	9,125,625	16.37
2.	Mrs. Meena Kirloskar	97,164	0.18	1,84,514	0.33
3.	Ms. Janaki Kirloskar	42,450	0.08	Nil	Nil
4.	Mr. Vinayak N Bapat	3,650	0.01	3,650	0.01
5.	Mr. Anand B Hunnur	675	0.00	675	0.00
6.	Mr. Kamlesh Gandhi	500	0.00	500	0.00
7.	Mr. Sarosh J Ghandy	615	0.00	615	0.00
8.	Mr. Anil Kumar Bhandari	500	0.00	500	0.00
9.	Mr. Mahendra V.P	2,533	0.00	2,533	0.00
10.	Mr. S.N Agarwal	500	0.00	500	0.00
11.	Mr. A.S. Lakshmanan	19934	0.03	Nil	Nil
12.	Mr. Ram J Shahaney	500	0.00	Nil	Nil
13.	Mr. K. Ganesh	Nil	Nil	Nil	Nil
14.	Dr. Ashok Misra	Nil	Nil	Nil	Nil
15.	Mr. Soumendra Kumar Mahapatra	Nil	Nil	Nil	Nil
16.	Ms. Swapna Latha K S	Nil	Nil	Nil	Nil
17.	Mr. Chinmoy Patnaik	Nil	Nil	Nil	Nil
	Total at the beginning of the Year	**6,740,490**	**12.66**	**9,319,112**	**16.71**
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): Mr. Vijay R Kirloskar	2,554,156 Allotment of Equity shares to Mr. Vijay R Kirloskar on February 11, 2016 upon conversion of CCPS issued under preferential basis	4.58	9,125,625	16.37

	At the end of the year				
1.	Mr. Vijay R Kirloskar			9,125,625	16.37
2.	Mrs. Meena Kirloskar			1,84,514	0.33
3.	Ms. Janaki Kirloskar			Nil	Nil
4.	Mr. Vinayak N Bapat			3,650	0.01
5.	Mr. Anand B Hunnur			675	0.00
6.	Mr. Kamlesh Gandhi			500	0.00
7.	Mr. Sarosh J Ghandy			615	0.00
8.	Mr. Anil Kumar Bhandari			500	0.00
9.	Mr. Mahendra V.P			2,533	0.00
10.	Mr. S.N Agarwal			500	0.00
11.	Mr. A.S. Lakshmanan			Nil	Nil
12.	Mr. Ram J Shahaney			Nil	Nil
13.	Mr. K. Ganesh			Nil	Nil
14.	Dr. Ashok Misra			Nil	Nil
15.	Mr. Soumendra Kumar Mahapatra			Nil	Nil
16.	Ms. Swapna Latha K S			Nil	Nil
17.	Mr. Chinmoy Patnaik			Nil	Nil
	Total at the end of the year			**9,319,112**	**16.71**

V) INDEBTEDNESS - Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Rs in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,5576.77	7,598.92	Nil	23,175.69
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	302.85	302.85
Total (i+ii+iii)	**15,576.77**	**7,598.92**	**302.85**	**23,478.54**
Change in Indebtedness during the financial year				
* Addition	4,592.98	Nil	22.01	4,614.49
* Reduction	Nil	1,992.50	Nil	1,992.50
Indebtedness at the end of the financial year				
i) Principal Amount	20,169.55	5,606.42	Nil	25,775.97
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	324.86	324.86
Total (i+ii+iii)	**20,169.55**	**5,606.42**	**324.86**	**26,100.83**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Mr. Vijay R Kirloskar, Executive Chairman	Mr. Vinayak N Bapat, Managing Director	Mr. Anand B Hunnur, Director – Sales	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	8,400,000	5,777,173	4,044,548	18,221,721
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	887,274	12,355	899,629
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil	Nil	Nil
	(d) Total	8,400,000	6,664,427	4,056,903	19,121,330

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Mr. Vijay R Kirloskar, Executive Chairman	Mr. Vinayak N Bapat, Managing Director	Mr. Anand B Hunnur, Director – Sales	
2	Stock Option	Nil	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil	Nil
4	Commission – as % of profit – others, specify	Nil	Nil	Nil	Nil
5	Others, please specify:	Nil	Nil	Nil	Nil
	Total (A)	**8,400,000**	**6,664,427**	**4,056,903**	**19,121,330**
	Ceiling as per the Act	#	8,400,000	8,400,000	

 # As per Central Govt. approval

B. Remuneration to other directors

Sl. No	Particulars of Remuneration	Name of directors							Total
		Mr. Sarosh J Ghandy	Mr. Anil Kumar Bhandari	Mr. VP Mahendra	Mr. Kamlesh Gandhi	Mr. Ram J Shahaney	Mr. S.N Agarwal	Dr. Ashok Misra	
1	**Independent Directors**								
	Fee for attending board committee meetings*	135,000	210,000	120,000	195,000	15,000	180,000	60,000	915000
	Commission	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Others, please specify:	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (1)	**135,000**	**210,000**	**120,000**	**195,000**	**15,000**	**180,000**	**60,000**	**915000**

2	Other Non-Executive Directors	Mr. A.S Lakshmanan	Mrs. Meena Kirloskar	Ms. Janaki Kirloskar	Total
	Fee for attending board committee meetings	120,000	150,000	45,000	315,000
	Commission	Nil	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil	Nil
	Total (2)	**120,000**	**150,000**	**45,000**	**315,000**
	Total (C)=(1+2)				**1,230,000**
	Total Managerial Remuneration	-	-	-	20,351,330*
	Overall Ceiling as per the Act				

** Includes sitting fees paid to the non executive directors.*

C. Remuneration to key managerial personnel other than Managing Director/Manager/Whole-Time Director

Sl.No	Particulars of Remuneration	Key Managerial Personnel		
		CS	CFO	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	757,248	2,145,371	2,902,819
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	12,036	612	12,648
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	Nil	Nil
	(d) Total	769,284	2,145,983	2,915,267
2	Stock Option	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil
4	Commission – as % of profit – others, specify	Nil	Nil	Nil Nil Nil
5	Others, please specify	Nil	Nil	Nil
	Total	**769,284**	**2,145,983**	**2,915,267**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. DIRECTORS					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. OTHER OFFICERS IN DEFAULT					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

{Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014}

To,
The Members,
Kirloskar Electric Company Limited,
CIN: L31100KA1946PLC000415
Bengaluru – 560 010

I have conducted the secretarial audit in compliance with applicable statutory provisions and adherence to good corporate practices by **M/s Kirloskar Electric Company Limited,** Bengaluru (herein after referred to as "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2016 according to the provisions of:

1. The Companies Act, 2013, (the Act) and the Rules made there under;
2. The Companies Act, 1956.
3. The Securities Contracts (Regulation) Act,1956 ('SCRA') and the Rules made there under;
4. The Depositories Act,1996 and the Regulations and By-laws framed there under;
5. Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
6. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act,1992 ('SEBI Act'):
    a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations,2011;
    b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
    c) The Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2009; - (Not Applicable during the year)
    d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999; - **(Not Applicable during the year)**
    e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; -
    f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations,1993 regarding the Companies Act and dealing with client;
    g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; - **(Not Applicable during the year);**
    h) The Securities and Exchange Board of India (Buyback of Securities) Regulations,1998; - **(Not Applicable during the year);** and
7. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
8. Other laws as may be applicable to the company as per the representation made by the Company;

9. We have been informed by the company that there are no laws specifically applicable to the company. We have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with BSE Ltd., and National Stock Exchange of India Ltd.,

I have relied on the representation made by the company and its officers for systems and mechanism formed by the company for compliances under other applicable Acts, Laws, Rules and Regulations to the company. I have also examined compliance with the applicable clauses of the following:

i) Secretarial Standards issued by The Institute of Company Secretaries of India to the extend applicable as on the date of my audit;

ii) The Listing Agreement, Notifications and circulars issued by the NSE Limited & BSE Limited;

We have not examined compliance by the company with:

i) applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.

ii) During the period under review, the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc., mentioned above except as under:

1. The company has not filed standalone financials for its subsidiary companies:

2. The company has not filed standalone and consolidated financials for the year: and

I further report that:

(i) The Board of directors of the company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of directors that took place during the period under review were carried out in compliance with the provisions of the Act.

(ii) Adequate notice is given to all directors to schedule the Board and other committee meetings. Agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

(iii) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

(iv) There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

(v) During the audit period the company has no major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013, having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

(vi) During the audit period, there were no instances of:

a) Public/ Rights/ Preferential issue of shares/ debentures/ sweat equity.

b) Redemption/ buyback of securities.

c) Merger/ amalgamation/ reconstruction etc.

d) Foreign technical collaborations.

For **Swaroop, Ravishankar and Associates**
Company Secretaries
Swaroop S
Partner
ACS:27907 CP: 9997

Place: Bengaluru
Date: 27.05.2016

This Report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A to MR-3

To,
The Members,
Kirloskar Electric Company Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **Swaroop, Ravishankar and Associates**
Company Secretaries
Swaroop S
Partner
ACS:27907 CP: 9997

Place: Bengaluru
Date: 27.05.2016

Corporate Governance Report

1. Statement on company's philosophy on corporate governance:

Your company continues to be firmly committed to corporate governance and follows a system of good practices of transparency in its reporting. Your company continues with its firm commitment in meeting expectations of various stakeholders in matters related to trusteeship, integrity, ethical standards and legal requirements. Your company continues to comply with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Your company's Board fully understands and takes the responsibility for its commitments to various stakeholders. The primary objective of 'Customer Satisfaction' is relentlessly pursued.

2. Board of directors:

a) Composition as at March 31, 2016 and other matters:

Your company's Board of directors is comprised of eminent persons with optimum balance of executive directors, non executive directors and independent directors having expertise on different fields such as technical, business strategy and management, marketing and finance. Thus meets the criteria of board diversity. The Chairman is Executive Chairman and other Board members comprised of six independent directors, two women non-executive directors, one nominee director, three executive directors which includes the Executive Chairman of the company. All the independent directors satisfy the criteria of independence as defined under the Companies Act, 2013, and the Listing Regulations.

As regards appointment of new directors, Board considers the recommendations of the Nomination and Remuneration Committee which in turn considers various aspects including the qualifications, professional expertise and exposures, positive attributes and independence, wherever required, as per the laid down criteria, while considering appointment for the Board.

The Board, inter-alia, provides leadership, strategic guidance, independent ideas and advises to the company's management. The Board meets at regular intervals.

The Board members get updates on the company's procedures and policies as per the familiarization program.

None of the directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees across all the companies in which he is a director as specified in listing regulations. Necessary disclosures regarding committee positions have been made by the directors

b) Category, attendance, directorships, membership, chairmanship of directors of your company during the financial year ended March 31, 2016

		Attendance			Other Directorships/Committee Memberships@		
Name of the Director	**Designation**	**No. of Board Meetings**	**Attend-ance of each director**	**Attenda-nce at the previous AGM attended**	**Directorships in other companies**	**Committee Membership**	**Committee Chairman-ship**
Mr. Vijay R Kirloskar*	Executive -Chairman	7	6	Yes	3	1	0
Mr. A.S. Lakshmanan#	Non Executive-Non Independent Director	7	3	No	-	-	-
Mr. S.N. Agarwal	Non Executive-Independent Director	7	6	Yes	3	3	0
Mr. Sarosh J Ghandy	Non Executive-Independent Director	7	5	Yes	1	1	0
Mr. Anil Kumar Bhandari	Non Executive-Independent Director	7	6	Yes	2	3	2
Mr. V.P. Mahendra	Non Executive-Independent Director	7	5	Yes	2	2	0

Mr. Kamlesh Gandhi	Non Executive-Independent Director	7	7	Yes	4	3	1
Mr. Ram J Shahaney $	Non Executive-Independent Director	7	0	No	1	0	0
Mr. K Ganesh	Nominee Director	7	4	Yes	1	0	0
Dr. Ashok Misra**	Non Executive-Independent Director	7	4	No	3	3	0
Mrs. Meena Kirloskar	Non Executive-Non Independent Director	7	7	Yes	1	0	0
Ms. Janaki Kirloskar**	Non Executive-Non Independent Director	7	3	Yes	1	0	0
Mr. Anand B Hunnur	Director – Sales	7	6	Yes	1	0	0
Mr. Vinayak N Bapat	Managing Director	7	7	Yes	1	0	0

@ As on 31.03.2016 - of Public Limited Companies.

** Mr. Vijay R Kirloskar is director of Kirloskar Power Build Gears Limited which is under Liquidation.*

*** Dr. Ashok Misra & Ms. Janaki Kirloskar were appointed as directors effective from August 13, 2015. Dr. Ashok Misra was appointed as independent director effective from November 5, 2015.*

 # Mr. A.S. Lakshmanan passed away on October 13, 2015.

$ Mr. Ram J Shahaney has resigned from the Board effective from the closing hours on March 14, 2016.

As per regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, membership/chairmanship of audit committee and stakeholders' relationship committee in all Indian Public limited Companies are considered and, accordingly, reported.

c) Number of Board meetings held:

Seven meetings of the Board of directors were held during the financial year 2015-16 on May 29, 2015, June 30, 2015, August 13, 2015, September 28, 2015, November 5, 2015, February 11, 2016 and March 10, 2016.

The quorum was present for all the meetings. The maximum interval between any two meetings did not exceed one hundred and twenty days.

d) Disclosure of relationships between directors inter-se:

As per the information available with the company, none of the directors are related inter se except Mr. Vijay R Kirloskar, Mrs. Meena Kirloskar and Ms. Janaki Kirloskar.

e) Shareholding of non-executive directors as at March 31, 2016:

Name of the director	**Number of Equity Shares**
Mrs. Meena Kirloskar	1,84,514
Ms. Vellore Padmanaban Mahendra	2,533
Mr. Sarosh Ghandy	615
Mr. Anil K. Bhandari	500
Mr. Kamlesh Gandhi	500
Mr. Satyanarayana Agarwal	500

f) None of the non executive independent directors have any pecuniary relationship or transaction with your company.

g) Necessary information as required under schedule – II of listing regulations, as amended, have been placed before the meetings of the Board including the committees thereof.

h) Details of Familiarization Programmes imparted to independent directors

During the financial year, senior management team made presentations to the directors giving an overview of the company's operations, functions, strategies and risk management plans of the company. The details of the familiarization programs are available on the website of the company at: http://www.kirloskar-electric.com/investors/investors-information/policies.html.

i) Your company's independent directors have met on May 18, 2015 and discussed informally matters, among others, relating to company.

j) Other Information:

Information flow to the members of the Board of directors:

Information is provided to the Board members on a continuous basis for their review, inputs and approval from time to time. More specifically, we present company's annual strategic plans and operating plans of our business seeking their inputs and approval. Likewise, our quarterly financial statements and annual financial statements are presented to the audit committee and subsequently to the Board of directors for their approval.

As a system, in most cases, information to directors is submitted along with the agenda papers well in advance before the Board meetings. We have scheduled meetings of our business heads and functional heads with the directors. These meetings facilitate directors to provide their inputs and suggestions on various strategic and operational matters directly to the business and functional heads.

Committees of Board

Our Board has constituted sub-committees to focus on specific areas and make informed decisions within the limits of authority delegated to each of the committees. Each committee of the Board is guided by its Charter, which defines the scope, powers and composition of the committee. All the decisions and recommendations of the committees are placed before the Board for information or approval.

As at March 31, 2016, your company has the following sub-committees of the Board;

3. Audit Committee:

Audit Committee as at March 31, 2016 comprised of five independent directors

Terms of reference of the audit committee cover the matters specified for audit committee under listing regulations and provisions of Section 177 of the Companies Act, 2013.

All the members of the committee are financially liberate. The composition of the committee is in conformity with the requirements of listing regulations and the provisions of section 177 of the Companies Act, 2013.

During the financial year 2015-16, the committee met five times on the May 9, 2015, May 29, 2015, August 13, 2015, November 5, 2015 and February 11, 2016.

Composition of the committee and attendance of each member were as follows:

Name	Category	Meetings	
		Held during the tenure	Attended
Mr. Kamlesh Gandhi	Chairman	5	5
Mr. S. N. Agarwal	Member	5	3
Mr. A.S. Lakshmanan*	Member	5	3
Mr. Anil Kumar Bhandari	Member	5	5
Mr. Sarosh J Ghandy	Member	5	2
Mr. V.P. Mahendra	Member	5	2

** Mr. A.S. Lakshmanan passed away on October 13, 2015*

The meetings of the committee were held at the corporate office and were attended by the Executive Chairman, Managing Director and Chief Financial Officer of the company. Representatives from the auditors also attended the meetings. The company secretary was the secretary to the committee.

4. Nomination and Remuneration Committee:

The committee comprised of four members as at March 31, 2016 all of whom are non executive directors. The committee met three times during the year on May 29, 2015, June 30, 2015 & February 11, 2016.

Composition of the committee and attendance of each member were as follows:

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

** Mr. A.S. Lakshmanan passed away on October 13, 2015*

Terms of reference of the committee cover all matters specified for Nomination and Remuneration committee specified in the provisions of Section 178 of the Companies Act, 2013 and the listing regulations.

5. Remuneration of directors:

The details of the policy is disclosed in the **Annexure - III** which forms part of Board's Report

Details of remuneration paid to the directors for the financial year 2015-16 and their shareholding:

Name	Designation	Salary (in ₹)	Contribution to PF and other Funds	Total Amount	Shareholding No of shares
Mr. Vijay R Kirloskar	Executive Chairman	84,00,000	2,268,000	10,668,000	9,125,625
Mr. Vinayak N Bapat	Managing Director	58,22,153	639,002	6,461,155	3,650
Mr. Anand B Hunnur	Director Sales	40,89,548	390,825	4,480,373	675

6. Stakeholder Relationship Committee:

The Stakeholder Relationship Committee consists of three directors. Mr. Anil Kumar Bhandari is the Chairman of the committee, Mr. Vijay R Kirloskar and Mr. V.P Mahendra, are members of the committee.

There was no meeting during the year.

Mr. Chinmoy Patnaik, Associate Vice President – Legal & Company Secretary, is the Compliance Officer of the company.

Number of Shareholders complaints received, not solved to the satisfaction of Shareholders and number of pending complaints

Shareholders' complaints are given top priority by your company. It is the policy that investor complaints are attended with utmost priority and solved at the earliest.

A statement of the complaints received and resolved by the company during the financial year 2015-16 is given below:

Sl. No.	Particulars	No. of Complaints
1	Investor complaints pending at the beginning of the year	Nil
2	Investor complaints received during the year	1
3	Investor complaints disposed off / resolved during the year	1
4	Investor complaints remaining unresolved at the end of the year	Nil

7. General Body Meetings

a) Location, time and special resolution for the last three Annual General Meetings :

	2012-13	2013-14	2014-15
Date, Venue and Time	30th September, 2013 Vivanta by TAJ Tumkur Road, Yeshwantpur Bengaluru 10.00 A.M	30th September, 2014 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bengaluru 10.00 A.M	28th September, 2015 G.M. Rejoyz #158, 8th main, 8th Cross, Malleswaram, Bengaluru - 560 003 10.00 A.M
Special Resolution Passed	1. Granting Employee Stock Option Scheme, 2012 and authorizing the Board to take necessary action in this regard. 2. Appointment of Mr. Alok Kumar Gupta as Joint Managing Director with effect from 15th March, 2013 and payment of remuneration to Mr. Alok Kumar Gupta.	1. To borrow from time to time, as they may consider fit, any sum or sums of money not exceeding Rs.10,000 million (Rupees ten thousand million) in excess of the aggregate of the paid-up capital of the company and its free reserves. 2. For acceptance or renewal of deposits from its members and persons other than its members not exceeding Ten percent and Twenty five percent of aggregate paid up share capital and free reserves of the company, respectively, on such terms and conditions as the Board may deem fit. 3. Appointment of Mr. Vijay R Kirloskar (DIN 00031253), as Executive Chairman of the Company for a period of 3 (Three) years with effect from 12th August, 2014 on the terms and conditions including remuneration payable to Mr. Vijay R Kirloskar. 4. Appointment of Mr. Vinayak Narayan Bapat (DIN 06936639) as Managing Director of the Company for a period of 3 (Three) years with effect from 12th August, 2014, on the terms and conditions including remuneration payable to Mr. Vinayak N Bapat 5. Appointment of Mr. Anand B Hunnur (DIN 06650798) as Director - Sales of the Company for a period of 3 (Three) years with effect from 12th August, 2014 on the terms and conditions including remuneration payable to Mr. Anand B Hunnur	1. Revision of remuneration of Mr. Vijay R Kirloskar, Executive Chairman of the Company for a period of 2 (Two) years with effect from July 01, 2015 2. Revision of remuneration of Mr. Vinayak N Bapat, Managing Director of the Company with effect from July 01, 2015 3. Revision of the remuneration of Mr. Anand B Hunnur, Director-Sales of the Company with effect from July 01, 2015 4. Approval for Employees Stock Option Scheme 5. To Raise Funds on Private Placement Basis 6. Alteration of Memorandum of Association 7. Alteration of Articles of Association

b) Location, time and special resolution of the Extraordinary General Meeting (EGM) of the company held during the financial year 2015-16: An extraordinary general meeting was held on June 30, 2015 at 10.00 A.M. The meeting was held at G.M. Rejoyz #158, 8th main, 8th Cross, Malleswaram, Bengaluru - 560 003. The following resolutions were passed at the meeting:

- Approval for Related Party Transactions

The details of the voting pattern, name of the scrutinizer and the procedure adopted for EGM is available on the company's website www.kirloskar-electric.com.

c) No Postal Ballot was conducted during the financial year 2015-16

8. Means of communication:

a) The company has been regularly publishing audited/un-audited results in leading newspapers, after the same is approved by the Board. The results are also posted on the company's website.

b) News paper wherein results are normally published: The quarterly results are normally published in the all India edition of Business Standard and Bengaluru edition of Samayukta Karnataka.

c) The quarterly results and other official news are posted on the company's website i.e, www.kirloskar-electric.com

d) There were no official news releases during the year:

e) No presentations were made to institutional investors or to the analysts during the year 2015-16.

f) Email ID for registering complaints by investors: investors@kirloskar-electric.com.

9. General shareholder information:

(a) Date, Time and Venue of Annual General Meeting:

The 69th Annual General Meeting of the company will be held on Monday, the 26th day of September, 2016 at Vivanta by TAJ, 2275, Tumkur Road, Yeshwantpur, Bengaluru, Karnataka 560 022 at 10.00 A.M.

(b) Financial Year:

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

(c) Dividend payment date:

The Board of directors have not recommended any dividend for the financial year ended March 31, 2016.

(d) Stock Exchanges

The company's Equity Shares are listed on the following stock exchanges and the company has paid the appropriate listing fees for the financial year 2015-16;

1. National Stock Exchange of India Limited
   Exchange Plaza, C-1, Block G,
   Bandra Kurla Complex,
   Bandra (E),
   Mumbai – 400 051

2. Bombay Stock Exchange Limited
   Phiroze Jeejeebhoy Towers,
   Dalal Street,
   Mumbai- 400001

(e) Stock Code:

The Stock/Scrip code of the above mentioned stock exchange(s) are as mentioned below;

1. **Bombay Stock Exchange Ltd – 533193**
2. **National Stock Exchange of India Ltd – KECL**

(f) Market Price Data:

During the year under review, the Shares of the company were traded at Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd. The prices at Bombay Stock Exchange and at National Stock Exchange were as follows:

Month	KEC on BSE		KEC on NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2015	32.00	25.90	34.45	25.05
May 2015	28.00	24.00	30.75	24.00
June 2015	30.00	22.40	29.50	22.10
July 2015	41.50	24.45	41.55	24.50
August 2015	39.40	27.35	39.80	27.50
September 2015	33.00	27.50	31.85	27.30
October 2015	35.00	28.25	33.75	28.55
November 2015	37.75	28.25	38.00	27.10
December 2015	47.55	33.00	47.60	32.35
January 2016	45.45	29.20	45.35	29.05
February 2016	32.35	22.45	32.30	22.25
March 2016	32.80	24.35	32.70	24.80

Source: *The foregoing information is compiled from the data available from the BSE Ltd and National Stock Exchange of India Ltd.*

(g) Performance in comparison to broad-based indices such as BSE Sensex, NIFTY etc:

Month	BSE		NSE	
	KEC's Closing Price (in ₹)	Sensex Closing	KEC's Closing Price (in ₹)	Nifty Closing
April 2015	26.65	27,011.31	26.50	8,181.50
May 2015	25.00	27,828.44	24.85	8,433.65
June 2015	24.95	27,780.83	25.00	8,368.50
July 2015	33.35	28,114.56	33.55	8,532.85
August 2015	31.05	26,283.09	31.10	7,971.30
September 2015	29.65	26,154.83	29.65	7,948.90
October 2015	29.90	26,656.83	30.00	8,065.80
November 2015	36.90	26,145.67	36.80	7,935.25
December 2015	44.50	26,117.54	44.60	7,946.35
January 2016	30.20	24,870.69	30.25	7,563.55
February 2016	24.75	23,002.00	24.80	6,987.05
March 2016	32.60	25,341.86	32.25	7,738.40

(h) The securities of the company were traded throughout the year and there was no notice of suspension from trading from any exchange.

(i) Registrar and Share Transfer Agents:

M/s. Integrated Enterprises (India) Ltd ,30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru 560 003.Telephone No's:23460815,23460816,23460817 and 23460818 Fax No. 23460819, Website: www.integratedindia.in, Contact Person: Mr. Manjunath, Senior Manager.

(j) Share Transfer System:

The company's Shares are compulsorily traded in DEMAT form. The ISIN allotted to Kirloskar Electric Company Limited is: ISIN:-INE134B01017. Investors are required to establish an account with a Depository Participant to hold and trade the Shares in the dematerialized form.

The investors/members are requested to note that physical documents viz., DEMAT Request Forms (DRF), Share Certificates etc should be sent by their DP's 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.

(k) Distribution of shareholding as on March 31, 2016:

Shareholding Range	No. of share holders in DEMAT Form	No. of Shares	No. of share holders in Physical Form	No. of Shares	Total No. of share holders	%	No. of shares	% of share holdings
1-500	13,913	1,861,378	21,349	908,730	35,262	90.56	2,770,108	4.97
501-1000	1,396	1,180,690	237	172,162	1,633	4.19	1,352,852	2.43
1,001-2000	751	1,189,470	126	174,452	877	2.25	1,363,922	2.45
2,001-3000	317	819,589	33	81,732	350	0.90	901,321	1.62
3,001-4000	127	456,928	18	62,235	145	0.37	519,163	0.93
4,001-5000	159	760,837	13	56,439	172	0.44	817,276	1.47
5,001-6000	232	1,724,494	11	77,514	243	0.62	1,802,008	3.23
10001 & above	254	44,257,713	3	1,949,360	257	0.66	46,207,073	82.91
Total	**17,149**	**52,251,099**	**21,790**	**3,482,624**	**38,939**	**100.00**	**55,733,723**	**100.00**

(l) Shareholding pattern as on March 31, 2016:

Category	No. of Shareholders	No of shares held	% of Shareholding
Promoters	10	30,098,499	54.00
Banks, financial institutions,	20	305,282	0.55
Insurance Companies	4	3,240,824	5.81
Private Corporate Bodies	409	3,955,974	7.10
NBFCs registered with RBI	1	2,500	0.00
Indian Public	3,8329	14,462,717	25.95
Foreign Institutional Investors	2	450	0.00
NRIs / OCBs	5	10,352	0.02
Clearing Members	154	1,649,100	2.96
Trusts	4	111,981	0.20
Overseas corporate bodies	1	1,896,044	3.40
Total	**38,939**	**55,733,723**	**100.00**

(m) Dematerialization of shares and liquidity:

The paid up Equity Capital of the Company as on March 31, 2016 was ₹ 557,337,230/- (55,733,723 Shares of ₹ 10/- each). As on March 31, 2016, 49,696,943 Equity Shares representing 93.45% of the Equity Capital were held in dematerialized form.

The company has arrangement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate holding of the Shares in electronic form. Nearly 93.45% of the Company's Shares are held in electronic form. The company's Equity Shares are traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

(n) Except for 818, 405 Compulsorily Convertible Preference Shares issued to Mr. Vijay R. Kirloskar, Promoter, the Company has no outstanding GDR/ADR/Warrants or any other convertible instruments.

(o) Plant location

Details of addresses of plant locations are mentioned on page no. 3 of the Annual Report.

(p) Address for correspondence:

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

Other disclosures:

(a) *Related party transactions*

Information on transactions with related parties are given in Form AOC-2 and the same forms part of this report. The Policy on the Related Party Transaction is available on the company's website and the link is provided hereunder;

http://www.kirloskar-electric.com/investors/investors-information/policies.html

(b) *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.

(c) *Whistle Blower Policy*

The company has established a mechanism for the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism will also provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit committee in exceptional cases.

(d) *The policy for determining material subsidiaries has been disclosed on the website and the link is provided hereunder*

http://www.kirloskar-electric.com/investors/investors-information/policies.html

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Annexure

Declaration signed by the Chief Executive Officer stating that the members of Board of directors and senior management personnel have affirmed compliance with the Code of Conduct of Board of directors and senior management.

The Board has laid down a Code of Conduct for Board of directors and senior managers and the same is posted on the website of the company.

It is confirmed that all the Board members and senior managers have affirmed compliance with the Code of Conduct of the company, for the year 2015-16.

For and on behalf of the Board of directors
Kirloskar Electric Company Limited

Place: Bengaluru
Date: 12.08.2016

Vinayak N Bapat
Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
Members of Kirloskar Electric Company Limited,
Bengaluru.

We have reviewed the compliance of the conditions of Corporate Governance of Kirloskar Electric Company Limited ("the Company") for the purpose of certifying of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the period from April 01, 2015 to November 30, 2015 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from the period December 01, 2015 to March 31, 2016.

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

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance with 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 above mentioned Listing Agreement and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 **Swaroop, Ravishankar and Associates**
Company Secretaries
Swaroop S
Partner
ACS:27907 CP: 9997

Place: Bengaluru
Date: 27.05.2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BENGALURU

Report on the Standalone Financial Statements:

We have audited the accompanying standalone financial statements of Kirloskar Electric Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement, and a summary of significant accounting policies and other explanatory information for the year then ended, in which are incorporated the financial statements audited by the branch auditors M/s Sundar & Associates, Chartered Accountants of the Kuala Lumpur office of the Company in Malaysia.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion:

Attention of the members is invited to note 52 of the financial statements, regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immovable properties and receivables. We have relied on management's representations that it is confident of realization of amounts due from the said subsidiaries aggregating to ₹ 14,950.73 lakhs (previous year ₹ 18,452.51 Lakhs). Shortfall in realization of consideration receivable, if any, could not be ascertained.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements/information of one branch, the Kuala Lumpur office of the Company, included in the standalone financial statements of the Company whose financial statements reflect total assets of ₹ 224.47 lakhs as at 31st March, 2016 and total revenues of ₹ 0.69 lakhs for the year ended on that date, as considered in the standalone financial statements. The financial statements of the said office have been audited by the branch auditors (M/s Sundar & Associates, Chartered Accountants) whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Emphasis of Matter:

(a) Attention of the members is invited to note 53 of the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, though the net worth of the group, consisting of the Company, its subsidiaries and associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 54 of the financial statements which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no provision is required to be recognized in this regard. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. As required by the section 143(3) of the Act, we report that:

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

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

   c. The report on the accounts of the Kuala Lumpur office in Malaysia of the Company audited under Section 143 (8) of the Act by branch auditors have been forwarded to us and have been duly dealt with by us while preparing this report.

   d. The Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us.

   e. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   f. On the basis of the written representations received from the directors as on March 31, 2016 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

   g. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

   h. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

   i The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 to the financial statements;;

   ii The Company did not have any long-term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognised in respect of material foreseeable losses under applicable laws or accounting standards.

   iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However comprehensive description of assets and their current location need to be updated in the asset records.

   b. Fixed Assets are physically verified by the management during the year 2014-15. Management has informed us that its programme of verification of Fixed Assets envisages verification over three years which in our opinion is reasonable. No material discrepancies were observed during such verification which were already adjusted in the preceding year.

   c. According to the information and explanation given to us and as represented to us by the company, the title deeds of Immoveable properties are held in the name of the Company except in respect of the following:

₹ in Lakhs

Sl. No	Land / Building	Whether Leasehold / Freehold	Book Value (as at March 31, 2016)	Remarks, if any
1.	Land at Govenahalli	Leasehold Land	68.70	The title deeds are in the name of Kaytee Switchgear Limited erstwhile subsidiary of the Company (refer note 35(c) of the Financial Statements
2.	Land at Hubli	Freehold Land	369.09	
3.	Land at Tumkur	Freehold Land	30.14	

2. The Company has a program of physical verification of inventory which is conducted at reasonable intervals by the management. Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical verification taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis as reported in note 39 of the financial statements. Consequently we are not in a position to comment on the extent of discrepancies and any further adjustments required in the books of account.

3. The Company has not granted any loans to companies, firms, Limited liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 41 to the financial statements are advances and not in the nature of loans.

4. In our opinion and according to the information and explanations given to us, the company has not granted any loans or provided any guarantees or security to the parties covered under section 185 of the Act, except guarantee on behalf of a wholly owned subsidiary of the Company where the provisions of section 185 of the Act does not apply by virtue of Rule 10 of the Companies (Meetings of Board and its Powers) Rules, 2014. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 186 of the Companies Act, 2013 to the extent applicable in respect of investments made or guarantees given to the wholly owned subsidiaries covered under section I86 of the Act (refer note 49 of the financial statements). There were no loans given nor securities provided to wholly owned subsidiaries covered under section I86 of the Act.

5. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 of the Companies Act, 2013 or any other relevant provisions of the said Act and the rules framed there under, with regard to deposits accepted from the public. Further and according to the Company no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and read with paragraph 2 above regarding inventory records, we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

7. a. There have been delays in depositing undisputed statutory dues during the year. Delays ranged up to 3 months in respect of provident fund, up to 2 months in the case of income tax deducted at source and excise duty, and up to 1 month in Employees' State Insurance and service tax. According to the information and explanations given to us, there were no undisputed amounts payable in respect of above mentioned statutory dues which were in arrears, as at March 31, 2016 for a period of more than six months from the date they became payable except in respect of arrears of water charges due to revision in rates for the period relating from August 2011 to March 2015 payable to Karnataka Water Board, Hubballi Division amounting to ₹ 38.13 lakhs.

   b. According to the information and explanations given to us, the following dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, Value Added Tax, Service Tax and Cess had not been deposited as at March 31, 2016 with the relevant authorities on account of disputes.

Name of the statue	Name of the dues	Amount (₹. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Karnataka Sales Tax Act, 1957	Resale tax demanded	229.07	2003 – 2005	Supreme Court
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	181.06	2005 – 2008	Supreme Court
Karnataka Value Added Tax Act, 2003	VAT demanded	49.59	2006 – 2007 & 2008 – 2009	Joint Commissioner of Commercial Tax (Appeals)
The Central Excise, 1944	Excise demand	2.18	April 1993 & April 2001	High Court of Karnataka
	Excise demand	2.62	September 2006 and September 2007	Central Excise and Service Tax Appellate Tribunal
	Cenvat availment	89.33	January 2008 to April 2010, October 2008 to April 2010, September 2010 to March 2011	Commissioner of Central Excise (Appeals)
The Customs Act, 1962.	Customs demand	10.53	1994 to 1999	Asst. Commissioner of Customs
The Income Tax Act, 1961	Income tax demand	25.19	Assessment Year 2010 – 2011	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	174.13	Assessment Year 2012 – 2013	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	1,159.82	Assessment Year 2013 – 2014	Commissioner of Income Tax (Appeals)

The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	20.66	1999 - 2000	Maharastra Sales Tax Tribunal, Mumbai
The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	1,344.12	1999 – 2000, 2005-2006, 2007-2008 and 2008-2009	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & Maharastra Value Added Tax Act, 2002	Sales tax demand	3,196.41	2010-11	The President, Maharashtra Sales Tax Tribunal, Mumbai (in respect of CST demand) & Deputy Commissioner of Sales Tax (Appeals) Pune

8. In our opinion and according to the information and explanations given to us, there are no defaults in repayment of dues to banks as at March 31, 2016 taking into consideration the terms and conditions of the Master Restructuring Agreement ("MRA") referred to in note 55 of the financial statements. There are no loans taken from financial institution, Government or dues to debenture holders by the Company.

9. The company has not raised moneys by way of initial public offer, further public offer (including debt instruments), or fresh term loans from banks during the year.

10. According to the information and explanation given to us, there are no frauds or any fraud on the company by its officers or employees have been noticed or reported during the year.

11. According to the information and explanations given by the management, managerial remuneration paid or provided is in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

12. The Company is not a Nidhi Company. Accordingly, the provisions of clause 3(xii) of the said Order are not applicable.

13. In our opinion and according to the information and explanation given to us and as represented to us by the management, all transactions with related parties are in compliance with section 177 and 188 of Companies Act, 2013 and details have been disclosed in the Financial Statements as required by the applicable accounting standards.

14. The Company during the year 2014-15 issued and allotted 15,95,890 Compulsorily Convertible Preference Shares ("CCPS") of ₹ 100/- each to Mr. Vijay R Kirloskar by way of preferential placement as referred to in Note 3 Foot note 1(c) of the financial statements out of which 777,485 CCPS were converted to 25,54,156 equity shares of ₹ 10/- each at a premium of ₹ 20.44 per equity share on February 11, 2016. Since there was only a conversion of CCPS into equity shares was done during the year, no comments regarding utilisation of the funds received and compliance with section 42 of the Act have been made.

15. As represented to us by the management and according to the information and explanation given to us by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the said Order are not applicable.

16. According to the information and explanation given, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly clause 3(xvi) of the Order is not applicable to the Company.

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016
Place: Bengaluru

ANNEXURE-B REFERRED TO IN PARAGRAPH 2 (g) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Kirloskar Electric Company Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2016		As at March 31, 2015	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	**6,391.78**		6,913.85	
(b) Reserves and surplus	4	**(4,680.42)**		(2,089.45)	
			1,711.36		4,824.40
(2) Non - current liabilities					
(a) Long term borrowings	5	**7,890.33**		5,578.45	
(b) Other long term liabilities	7	**1,481.58**		1,770.52	
(c) Long term provisions	8	**1,677.55**		1,547.44	
			11,049.46		8,896.41
(3) Current liabilities					
(a) Short term borrowings	9	**14,422.09**		15,681.14	
(b) Trade payables -total outstanding dues of					
(i) micro and small enterprises, and	10 (a)	**80.83**		73.43	
(ii) creditors other than micro and small enterprises	10 (b)	**18,145.81**		18,871.16	
(c) Other current liabilities	11	**9,873.60**		7,771.78	
(d) Short term provisions	12	**2,950.44**		2,538.65	
			45,472.77		44,936.16
TOTAL			**58,233.59**		58,656.97
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	13	**8,419.53**		8,864.36	
(ii) Intangible assets	13	**53.52**		87.29	
(iii) Capital work in progress	14	**14.25**		165.78	
		8,487.30		9,117.43	
(b) Non - current investments	15	**6,536.01**		6,534.01	
(c) Deferred tax assets (net)	6	-		-	
(d) Long term loans and advances	16	**2,017.54**		1,891.61	
(e) Other non current assets	17	**12,824.53**		13,960.30	
			29,865.38		31,503.35
(2) Current assets					
(a) Inventories	18	**9,711.15**		9,294.46	
(b) Trade receivables	19	**10,449.70**		8,272.87	
(c) Cash and bank balances	20	**2,598.03**		1,983.10	
(d) Short term loans and advances	21	**1,221.23**		1,030.41	
(e) Other current assets	22	**4,388.10**		6,572.78	
			28,368.21		27,153.62
TOTAL			**58,233.59**		58,656.97
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 23, 35 to 57				

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. Vasuki H S
Partner
Membership No. : 212013

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar	**CA. Vinayak Narayan Bapat**	**Kamlesh Gandhi**
Executive Chairman	Managing Director	Director
DIN : 00031253	DIN : 06936639	DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

	Particulars	Note No.	Current Year		Previous Year	
I	**Revenue from operations**	24		**54,775.15**		51,080.32
II	Other income	25		**353.73**		330.70
III	**Total revenue (I + II)**			**55,128.88**		51,411.02
IV	Expenses					
	Cost of materials consumed	26	**40,596.93**		34,903.70	
	Changes in inventories of finished goods, work in progress and stock in trade	27	**355.36**		5,785.48	
				40,952.29		40,689.18
	Employee benefits/ expenses	28		**7,517.43**		7,557.25
	Finance costs	29		**4,185.68**		4,413.14
	Depreciation and amortization	30		**1,101.07**		1,103.81
	Other expenses	31		**6,640.63**		8,244.53
				60,397.10		62,007.91
	Less: expenses capitalised			-		5.57
	Total expenses			**60,397.10**		62,002.34
V	Loss before exceptional and extraordinary items and tax (III-IV)			**5,268.22**		10,591.32
VI	Exceptional and extraordinary items	32		**(2,155.18)**		2,383.31
VII	Loss before tax (V+VI)			**3,113.04**		12,974.63
VIII	Tax expense:					
	Current tax			-		-
IX	Loss for the period (VII + VIII)			**3,113.04**		12,974.63
X	Earning per equity share before exceptional item:	34				
	Basic & Diluted (in ₹)			**(9.84)**		(20.95)
XI	Earning per equity share after exceptional item:	34				
	Basic & Diluted (in ₹)			**(5.82)**		(25.66)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 23, 33, 35 to 57				

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. Vasuki H S
Partner
Membership No. : 212013

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar	**CA. Vinayak Narayan Bapat**	**Kamlesh Gandhi**
Executive Chairman	Managing Director	Director
DIN : 00031253	DIN : 06936639	DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

Particulars	Current Year		Previous Year	
Cash flows from operating activities				
Profit / (Loss) before taxation		**(3,113.04)**		(12,974.63)
Adjustments for:				
Depreciation and amortisation	**1,101.07**		1,103.81	
Provisions (net)	**922.22**		2,134.50	
Profit on sale of fixed assets	**(42.51)**		(13,717.51)	
Interest income	**(95.02)**		(107.96)	
Investment written off	-		16,384.16	
Dividends received	**(8.52)**		(6.78)	
Exceptional item	**(2,155.18)**		-	
Finance costs	**4,185.68**		4,413.14	
		3,907.74		10,203.36
		794.70		(2,771.27)
(Increase)/ decrease in trade and other receivables	**641.40**		3,911.95	
(Increase)/ decrease in inventories	**(416.70)**		6,116.14	
Increase/ (decrease) in trade payables and other current liabilities	**(474.53)**		(8,699.98)	
		(249.83)		1,328.11
		544.87		(1,443.16)
Income taxes paid		**181.54**		46.00
Net cash from operating activities		**363.33**		(1,489.16)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(493.54)**		(319.67)	
Proceeds from sale of property, plant and equipment	**65.11**		1,703.04	
Purchase of investments	**(2.00)**		(9,436.00)	
Proceeds from sale trust shares	**2,155.18**		-	
Sale of Investment	-		6,063.50	
Interest received	**81.72**		89.24	
Increase in margin money and short term deposits	**(285.77)**		(496.69)	
Dividend received	**8.52**		6.78	
Net cash from investing activities		**1,529.22**		(2,389.80)
Cash flows from financing activities				
Proceeds from long term borrowings	**3,652.70**		601.45	
Repayment of long term borrowings	-		(10.95)	
ICD's Accepted	**495.00**		14,856.98	
ICD's Repaid	**(1,339.30)**		(14,553.00)	
Issue of shares	-		2,405.05	
Fixed deposits from public accepted	**567.50**		-	
Repayment of fixed deposits from public	**(1,715.70)**		(1,070.14)	
Increase/ (decrease) of short term borrowings (net)	**(412.95)**		2,330.87	
Repayment of finance lease obligation	-		(9.35)	
Finance costs	**(2,810.64)**		(4,308.40)	
Net cash from financing activities		**(1,563.39)**		242.51
Net increase/(decrease) in cash and cash equivalents		**329.16**		(3,636.45)
Cash and cash equivalents at beginning of the year		**1,038.66**		4,675.11
Cash and cash equivalents at end of the year		**1,367.82**		1,038.66

Cash & Cash equivalents:

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS-3), 'Cash Flow Statements'. Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:

Cash on hand and bank balances	**2,598.03**	1,983.10
Less: Other bank balances	**1,230.21**	944.44
Cash and cash equivalents as restated	**1,367.82**	1,038.66

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. Vasuki H S
Partner
Membership No. : 212013

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar	**CA. Vinayak Narayan Bapat**	**Kamlesh Gandhi**
Executive Chairman	Managing Director	Director
DIN : 00031253	DIN : 06936639	DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

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

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

These financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with Accounting Standards specified under Section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results to could differ due to changes in these estimates and the difference between the actual result and the estimate are recognised in the period in which the results are known / materialise.

2.3 FIXED ASSETS:

(i) Tangible assets:

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

(ii) Intangible assets:

Intangible assets are accounted at cost of acquisition less depreciation /amortisation.

2.4 ASSETS HELD FOR SALE:

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

2.5 INVESTMENTS:

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

2.6 INVENTORIES:

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

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

(iii) Finished goods are valued at works cost or net realizable value whichever is lower. Material cost of work in progress and finished goods are computed on weighted average basis.

2.7 DEPRECIATION:

(i) Depreciation on furniture and fixtures above ₹ 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the month of addition.

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

(iii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought/sold during the year is charged on straight line method as per the useful life in Schedule II of Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed/sold except in case of certain plant and machineries whose useful life is as assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straight-line basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools are different from that specified in Schedule II to the said act, ranging from 1 to 25 years. Assets whose individual value less than ₹ 5,000/- is depreciated fully in the year of addition irrespective of useful life.

2.8 REVENUE RECOGNITION:

(i) Sale of products and services is recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, sales tax, service tax, value added tax and trade discounts.

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

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

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

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

NOTES TO FINANCIAL STATEMENTS

2.10 EMPLOYEE BENEFITS:

(i) Short term employee benefits:

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

(ii) Post employment benefits:

a. Defined contribution plans:

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

b. Defined benefit plans:

Employees' gratuity is defined benefit plan. 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 gains and losses are recognized immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms that matches to the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

c. Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

2.11 FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

(ii) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

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

(iv) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

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

2.12 TAXES ON INCOME:

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

2.13 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to the statement of profit and loss.

2.14 IMPAIRMENT OF ASSETS:

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

2.15 PROVISIONS AND CONTINGENT LIABILITIES:

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

NOTES TO FINANCIAL STATEMENTS

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.

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**₹ in Lakhs**	Number	₹ in Lakhs
3	**Share capital:**				
	Authorized: (*)				
	Preference Shares of ₹ 100/- each	**3,000,000**	**3,000.00**	3,000,000	3,000.00
	Equity shares of ₹ 10/- each	**60,000,000**	**6,000.00**	60,000,000	6,000.00
			9,000.00		9,000.00
	Issued, subscribed and fully paid up:				
	Preference shares of ₹ 100/- each				
	At the beginning of the year	**1,595,890**	**1,595.89**	-	-
	Issued during the year	-	-	1,595,890	1,595.89
	Redeemed during the year (Refer foot note 1.c. below)	**777,485**	**777.49**	-	-
	At the close of the year	**818,405**	**818.40**	1,595,890	1,595.89
	Equity shares of ₹ 10/- each				
	At the beginning of the year	**53,179,567**	**5,317.96**	50,521,367	5,052.14
	Issued during the year	**2,554,156**	**255.42**	2,658,200	265.82
	At the close of the year	**55,733,723**	**5,573.38**	53,179,567	5,317.96
	Total		**6,391.78**		6,913.85

(*) The Company had passed resolution approved by the members at the 68th Annual General Meeting held on September 28, 2015 increasing the Authorised Share Capital of the company from ₹ 900,000,000/- (Rupees Ninety Crores) divided into 60,000,000 (Six Crores) Equity Shares of ₹ 10/- each and 3,000,000 (Thirty Lakhs) Preference Shares of ₹ 100/- each to ₹ 1,650,000,000/- (Rupees One Hundred and Sixty Five crores) divided into 90,000,000 (Nine Crores) Equity Shares of ₹ 10/- each and 7,500,000 (Seventy Five Lakhs) Preference Shares of ₹ 100/- each. However the Company did not act on such increase in authorised share capital and consequently not made any payment of stamp duty. Subsequently the Company has convened an Extra Ordinary General Meeting on June 24, 2016 vide a notice dated May 18, 2016 where a resolution has been proposed that the above resolution passed shall stand cancelled, be treated as void ab initio, and not to take effect. The said notice has proposed to increase the authorised share capital of the Company to Rs 1,150,000,000/- (Rupees One Hundred and Fifteen Crores) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity shares of Rs. 10/- each and 3,000,000 (Thirty Lakhs) Preference shares of Rs. 100/- each. Accordingly, the authorised share capital prevailing prior to the said resolution passed on September 28, 2015 has been shown in this note.

Foot notes

1 Preference shares:

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

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

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	**1,547,182**	**1,547.18**	2,376,746	2,376.75

c. During the financial year 2014-15 Company had issued and allotted 1,595,890 (Fifteen lakh ninety five thousand eight hundred and ninety) Compulsory Convertible Preference Shares ("CCPS") of ₹ 100/-(Rupees one hundred), to Mr. Vijay R Kirloskar (Promoter) by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% (zero point one per cent) per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise), (the rate of ₹ 30.44/- per equity share as approved in principle by the stock exchanges) in two tranches in accordance with the SEBI (ICDR) Regulations, 2009 as amended form time to time. Such issue and allotment of equity shares resultant on conversion of the preference shares will be made at such time or times as determined by the Board in such manner as the Board may in its absolute discretion think fit at the time of conversion. Accordingly 777,485 Preference shares were converted into 2,554,156 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise) as per the first tranche on February 11, 2016.

NOTES TO FINANCIAL STATEMENTS

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	**Percentage**	Number	Percentage
Vijay R Kirloskar	**818,405**	**100.00**	1,595,890	100.00

2 Equity shares:

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

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

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**₹ in Lakhs**	Number	₹ in Lakhs
(i)	Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipment Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. (Refer foot note 2.c. below).	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii)	Shares allotted during the year 2007-08 to the promoters group in terms of order September 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of The Companies Act, 1956.	**2,000,000**	**200.00**	2,000,000	200.00
(iii)	Shares allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.	**6,000,000**	**600.00**	6,000,000	600.00
(iv)	Shares allotted during the year 2014-15 to Vijay R Kirloskar at a premium of ₹ 20.44 per share	**2,658,200**	**265.82**	2,658,200	265.82
(v)	Shares allotted during the year 2015-16 to Vijay R Kirloskar at a premium of ₹ 20.44 per share by conversion of CCPS.	**2,554,156**	**255.42**	-	-

c. The KECL Investment Trust had during the year, sold 6,174,878 equity shares of ₹ 10/- each of the Company for which the Company is the sole beneficiary in terms of scheme of arrangement approved by the honorable High Court of Karnataka under section 391-394 of the Companies Act 1956 in an earlier year. The resultant profit of ₹ 2,155.32 lakhs (net of STT, service tax, exchange transaction charges, SEBI transaction fees and stamp duty charges) is considered as an extraordinary item.

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

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Abhiman Trading Company Private Limited	**5,217,063**	**9.36%**	5,217,063	9.81%
(ii)	Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**7.64%**	4,257,682	8.01%
(iii)	KECL Investment Trust	**-**	**-**	6,174,878	11.61%
(iv)	Mr. Vijay Ravindra Kirloskar	**9,125,625**	**16.37%**	6,571,469	12.36%
(v)	Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**5.50%**	3,064,094	5.76%
(vi)	Vijay Farms Private Limited	**3,540,807**	**6.35%**	3,540,807	6.66%

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
4	**Reserves and surplus:**		
a)	**Capital reserve**		
	At the beginning of the year	**18.06**	18.06
	At the close of the year	**18.06**	18.06
b)	**Securities premium reserve**		
	At the beginning of the year	**543.34**	-
	Transferred during the year (refer foot note 1 (c) of Note 3)	**522.07**	543.34
	At the close of the year	**1,065.41**	543.34
c)	**Capital redemption reserve**		
	At the beginning of the year	**2,401.75**	2,401.75
	At the close of the year	**2,401.75**	2,401.75
d)	**Debenture redemption reserve**		
	At the beginning of the year	-	494.00
	Transfer to Surplus	-	(494.00)
	At the close of the year	-	-
e)	**Revaluation reserve**		
	At the beginning of the year	**208.66**	480.41
	Transfer to Surplus	-	(271.75)
	At the close of the year	**208.66**	208.66
f)	**Reconstruction Reserve**		
	At the beginning of the year	**641.67**	641.67
	At the close of the year	**641.67**	641.67
g)	**Reserve for doubtful debts**		
	At the beginning of the year	**90.00**	90.00
	At the close of the year	**90.00**	90.00
h)	**Surplus i.e. balance in statement of profit and loss**		
	At the beginning of the year	**(5,992.93)**	6,284.82
	Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets where remaining useful life is NIL	-	(68.87)
	Transfer from revaluation reserve	-	271.75
	Transfer from debenture redemption reserve	-	494.00
	Transferred from statement of profit and loss	**(3,113.04)**	(12,974.63)
	At the close of the year	**(9,105.97)**	(5,992.93)
	Total carried to Balance Sheet	**(4,680.42)**	(2,089.45)

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
5	**Long term borrowings:**		
	1) Secured loans:		
	Term Loan from banks	**8,607.18**	3,601.45
		8,607.18	3,601.45
	Less:		
	Current maturities	**1,278.55**	-
		7,328.63	3,601.45
	2) Unsecured loans:		
	Fixed deposits	**2,746.70**	3,893.10
		2,746.70	3,893.10
	Less:		
	Current maturities	**2,185.00**	1,916.10
		561.70	1,977.00
	3) Total long term borrowings (1+2)	**7,890.33**	5,578.45

Additional information:

1) Details of security for secured loans:

a.	Working capital term loans and funded interest term loan from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans are guaranteed by the Executive Chairman of the Company.	**8,607.18**	3,601.45

2) Terms of repayment of term loans and others

a)	From Bank:		
i)	Working Capital Term loans from consortium banks carry an interest of 11% (base rate of Bank of India plus 75 basis points) P.A and repayable in 96 equal monthly instalments starting from April 30, 2016.	**6,692.60**	2,886.00
ii)	Funded Interest Term loans from consortium banks carry an interest of 11% P.A (base rate of Bank of India plus 75 basis points) and repayable in 60 equal monthly instalments starting from April 30, 2016.	**1,914.58**	715.45

3) Unsecured Loans:

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

b) Fixed deposits include ₹ 224.10 lakhs (as at March 31, 2015 ₹ 18.10 lakhs) matured unclaimed deposits.

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
6	**Deferred tax:**		
	i) Deferred tax liability:		
	a) On account of depreciation on fixed assets	**1,701.00**	1,879.60
	Total	**1,701.00**	1,879.60
	ii) Deferred tax asset:		
	a) On account of timing differences in recognition of expenditure	**1,525.09**	1,312.18
	b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to deferred tax liability)	**175.91**	567.42
	Total	**1,701.00**	1,879.60
	Net Deferred tax (liability)/asset	-	-
7	**Other Long term liabilities:**		
	Security deposits from suppliers, dealers etc	**1,481.58**	1,770.52
		1,481.58	1,770.52
8	**Long term provisions:**		
	Provisions for employee defined benefit plans (refer note 43)	**1,677.55**	1,547.44
		1,677.55	1,547.44
9	**Short term borrowings:**		
	1) Secured loans:		
	a) Loans repayable on demand		
	- from banks	**11,548.50**	11,968.41
	b) Loan against pledge of fixed deposit from bank	**13.87**	6.91
		11,562.37	11,975.32
	2) Unsecured loans:		
	a) Fixed deposits	**5.30**	7.10
	b) Inter corporate deposits	**2,854.42**	3,698.72
		2,859.72	3,705.82
	Total	**14,422.09**	15,681.14

1) **Details of security for secured loans:**

a)	Working capital loans from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans carry an interest rate of 11% (base rate of Bank of India plus 75 basis points) per annum and also guaranteed by the Executive Chairman of the Company.	**8,578.68**	9,233.31
b)	Loan from a bank is secured against the equitable mortgage of certain immovable property of the Company, equitable mortgage of immovable properties of SKG Terra Promenade Private Limited, lien on fixed deposit amounting to ₹ 175 lakhs and guaranteed by the Executive chairman of the Company. Further it carry an interest of 13.85% p.a.	**2,716.95**	2,735.10

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
c) Buyers Credit form the bank is secured against first pari passu charge on current assets as primary security, Equitable mortgage of certain immovable properties of the Company, pledge of 24,886,143 promoter's equity shares in the Company as at September 30, 2014 and also guaranteed by the Executive Chairman of the Company. Further it carry an interest linked to LIBOR as agreed from time to time with the bank.	**252.87**	-
d) Against pledge of fixed deposits	**13.87**	6.91

2) **Unsecured loans:**

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

b) Inter corporate deposits are taken for periods ranging between 90 to 360 days with interest rates averaging to 18% per annum.

c) Fixed deposits include ₹ 1.50 lakhs (as at March 31, 2015: ₹ 7.10 lakhs) matured unclaimed deposits.

10	**Trade payables:**		
	a) Total outstanding dues of micro and small enterprises		
	Trade payables	**80.83**	73.43
		80.83	73.43
	b) Total outstanding dues of creditors other than micro and small enterprises		
	i) Trade payables	**11,682.62**	14,413.79
	ii) Acceptances	**6,463.19**	4,457.37
		18,145.81	18,871.16

Additional Information:

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

(₹ In lakhs)

Sl. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	Principal amount due and remaining unpaid	**80.83**	73.43
2	Interest due on (1) above and the unpaid interest	**13.81**	20.58
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**38.18**	104.48
5	Interest due and payable for the period of delay other than (3) above	**2.19**	5.68
6	Interest accrued and remaining unpaid	**16.00**	20.75
7	Amount of further interest remaining due and payable in succeeding years	**49.50**	33.50

11	**Other current liabilities:**		
	a) Current maturities of fixed deposit	**2,185.00**	1,916.10
	b) Current maturities of secured loan from bank	**1,278.55**	-
	c) Interest accrued but not due on deposits	**324.86**	302.85
	d) Statutory liabilities	**869.48**	705.63
	e) Other liabilities	**4,024.81**	2,776.95
	f) Trade advances	**1,190.90**	2,070.25
		9,873.60	7,771.78
12	**Short term provisions:**		
	a) Provision for short term compensated absences	**17.03**	17.11
	b) Provision for wage arrears	**747.79**	400.24
	c) Provision for warranty	**599.77**	597.90
	d) Provision for tax (net of advance tax outside India)	**7.71**	5.26
	e) Provision for contingencies (refer note 47)	**1,578.14**	1,518.14
		2,950.44	2,538.65

13. Fixed Assets:

(₹ In lakhs)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions for the year	Deductions / adjustments during the year	As at March 31, 2016	As at April 1, 2015	For the year	Deductions / adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Tangible Assets										
Own assets										
Land	916.39	-	-	916.39	-	-	-	-	916.39	916.39
Building	4,947.37	151.56	-	5,098.93	1,687.14	188.61	-	1,875.75	3,223.18	3,260.23
Plant and equipment	14,301.10	130.41	350.04	14,081.47	10,902.25	631.40	333.58	11,200.07	2,881.40	3,398.85
Tools and Jigs	1,538.91	98.37	11.18	1,626.10	943.65	66.20	10.68	999.17	626.93	595.26
Electrical installations	206.76	0.88	51.43	156.21	130.89	22.13	51.43	101.59	54.62	75.87
Motor vehicles	376.71	164.76	26.54	514.93	311.90	45.32	21.98	335.24	179.69	64.81
Office equipments	119.14	69.66	0.95	187.85	67.02	38.66	0.65	105.03	82.82	52.12
Furniture and fittings	992.58	15.07	30.96	976.69	798.58	50.15	30.18	818.55	158.14	194.00
Leasehold improvements	313.35	-	-	313.35	75.22	10.47	-	85.69	227.66	238.13
Assets taken on finance lease										
Land ($)	68.70	-	-	68.70	-	-	-	-	68.70	68.70
Plant and machinery	1,033.39	-	-	1,033.39	1,033.39	-	-	1,033.39	-	-
	24,814.40	**630.71**	**471.10**	**24,974.01**	**15,950.04**	**1,052.94**	**448.50**	**16,554.48**	**8,419.53**	**8,864.36**
Intangible assets				-						
Goodwill	423.46	-	-	423.46	423.46	-	-	423.46	-	-
Computer software	558.61	14.36	-	572.97	471.32	48.13	-	519.45	53.52	87.29
Technical knowhow and product development	147.93	-	-	147.93	147.93	-		147.93	-	-
	1,130.00	**14.36**	**-**	**1,144.36**	**1,042.71**	**48.13**	**-**	**1,090.84**	**53.52**	**87.29**
TOTAL	**25,944.40**	**645.07**	**471.10**	**26,118.37**	**16,992.75**	**1,101.07**	**448.50**	**17,645.32**	**8,473.05**	**8,951.65**
	28,979.27	209.06	3,243.93	25,944.40	17,022.47	1,172.68	1,202.40	16,992.75		

Additional information:

1) ($) Land taken on lease from KIADB aggregates to ₹ 68.70 lakhs. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the relevant title will pass to the Company.

2) Management has determined that there are no subsequent parts of assets whose useful life is different from that of the remaining useful life of the asset in terms of note 4 of Schedule II to the Companies Act, 2013. Accordingly, useful life of significant assets have been determined for the overall asset and not for its individual components.

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
14	**Capital work in progress:**		
	i) Building under construction	**14.25**	165.78
		14.25	165.78

15 Non Current Investments:

Details of investments	Name of the Company	As at March 31, 2016 No of shares	Face value	₹ In Lakhs	As at March 31, 2015 No of shares	Face value	₹ In Lakhs
a)	**Investments in equity Instruments:**						
	i) Subsidiaries: (Trade)						
	Fully paid up						
	KEC North America Inc (refer additional information 4 below)	**210**	**-**	**129.36**	210	-	129.36
	Kelbuzz Trading Private Limited	**4,045,500**	**10**	**404.55**	4,045,500	10.00	404.55
	Luxquisite Parkland Private Limited	**60,640,000**	**10**	**6,064.00**	60,640,000	10.00	6,064.00
	SLPKG Estate Holdings Private Limited	**90,000**	**10**	**9.00**	90,000	10.00	9.00
	SKG Terra Promenade Private Limited	**10,000**	**10**	**1.00**	10,000	10.00	1.00
	Kesvik Developers Private Limited	**10,000**	**10**	**1.00**	-	-	-
	Swaki Habitat Private Limited	**10,000**	**10**	**1.00**	-	-	-
	ii) Associates: (Trade)						
	Fully paid up						
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	**300,000**	**MR1**	**5.29**	300,000	MR1	5.29
	iii) Others						
	Fully paid up						
	ICICI bank Ltd (on merger of Sangli Bank Limited)	**5,405**	**2**	**1.00**	5,405	2.00	1.00
	The Mysore Kirloskar Ltd (refer additional information 3 below)	**770,750**	**10**	**-**	770,750	10.00	-
	Kirloskar Proprietary Ltd	**26**	**100**	**1.28**	26	100.00	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.52**	1,272	K.Sh 1000	8.52
	Kirsons Trading Pte.Ltd	**56,250**	**S $1**	**11.20**	56,250	S $1	11.20
	Kirloskar Power Equipment Ltd	**340,000**	**10**	**28.17**	340,000	10.00	28.17
b)	**Investments in debentures or bonds**						
	i) Others						
	Fully paid up						
	The Mysore Kirloskar Ltd (refer additional information 3 below)	**30,000**	**44**	**-**	30,000	44.00	-
	Total			**6,665.37**			6,663.37
	Less:						
	Provision for diminution in value of investments			**129.36**			129.36
	Total			**6,536.01**			6,534.01

Additional Information:

1) Aggregate value of quoted investments:
   - Cost: **1.00** / 1.00
   - Market Value: **12.79** / 17.04
2) Aggregate value of unquoted investments:
   - Cost: **6,664.37** / 6,662.37
3) Securities in The Mysore Kirloskar Limited have been written off.
4) This Company has been dissolved. However, the investment has not been written off since no approvals have been obtained from Reserve Bank of India. However, full provision has been made for the same.

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
16	**Long term loans and advances:**		
	(Unsecured and considered good)		
	i) Capital advances	**94.54**	104.70
	ii) Security deposits	**448.15**	435.06
	iii) Rent Deposit to related parties	**280.00**	280.00
	iv) Disputed statutory liabilities/ taxes paid	**1,194.85**	1,071.85
		2,017.54	1,891.61
	Amounts due from a private company in which a director of the Company is a director included in iii) above	**100.00**	100.00
17	**Other non current assets:**		
	(Unsecured and considered good)		
	i) Long term trade receivables	**148.26**	173.76
	ii) Recievables from subsidiaries	**12,374.03**	13,668.29
	iii) Advance payment of tax (net)	**302.24**	118.25
		12,824.53	13,960.30
18	**Inventories:**		
	i) Raw materials	**1,670.33**	942.49
	ii) Work in progress	**5,107.58**	6,803.90
	iii) Finished goods	**2,400.47**	1,053.94
	iv) Stores and spares	**525.93**	523.05
	v) Others (scrap stock)	**17.17**	24.63
	Goods in transit:		
	i) Raw materials	**41.34**	-
	ii) Finished goods	**4.27**	2.39
		9,767.09	9,350.40
	Less: Provision for non-moving stocks	**55.94**	55.94
		9,711.15	9,294.46
19	**Trade receivables:**		
	i) Trade receivables exceeding six months	**1,628.77**	590.84
	ii) others	**9,413.10**	8,243.43
		11,041.87	8,834.27
	Less: Allowance for doubtful receivables	**592.17**	561.40
		10,449.70	8,272.87
Additional information:			
1)	Breakup of above:		
	i) Unsecured, considered good	**10,449.70**	8,272.87
	ii) Doubtful	**592.17**	561.40
	Total	**11,041.87**	8,834.27
	Less:		
	Allowance for doubtful receivables	**592.17**	561.40
		10,449.70	8,272.87
2)	Amounts due by private companies in which directors of the Company are directors	**13.60**	8.48

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
20	**Cash and bank balances:**		
	a) Cash and cash equivalents:		
	i) Balances with banks		
	- in other accounts	**1,356.23**	1,028.86
	ii) Cash on hand	**11.59**	9.80
		1,367.82	1,038.66
	b) Other bank balances:		
	i) Balances with banks		
	- in short term deposits	**104.15**	104.31
	- in margin money, security for borrowings, guarantees and other commitments	**1,126.06**	840.13
		1,230.21	944.44
	Total (a + b)	**2,598.03**	1,983.10
21	**Short term loans and advances:**		
	i) Loans and advances to related parties (refer note 41)	**324.82**	341.91
	ii) Others	**1,624.64**	1,064.73
		1,949.46	1,406.64
	Less: Allowance for doubtful advances	**728.23**	376.23
		1,221.23	1,030.41
	Additional information:		
1)	Breakup of above:		
	i) Unsecured, considered good	**1,221.23**	1,030.41
	ii) Doubtful	**728.23**	376.23
	Total	**1,949.46**	1,406.64
	Less:		
	Allowance for doubtful advances	**728.23**	376.23
		1,221.23	1,030.41
2)	Amounts due by private companies in which directors of the Company are directors	**322.32**	336.45
22	**Other Current assets:**		
	i) Central excise receivable	**595.98**	452.01
	ii) VAT receivable	**1,133.23**	1,208.68
	iii) Receivables from subsidiaries	**2,531.02**	4,784.22
	iv) Assets held for sale (refer note 40)	**793.09**	793.09
		5,053.32	7,238.00
	Less:		
	Provision for asset held for sale	**665.22**	665.22
		4,388.10	6,572.78

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
23 Contingent liabilities and commitments: (to the extent not provided for)		
a) Contingent liabilities:		
i) Claims against the Company not acknowledged as debts	**1,740.51**	1,568.89
ii) Guarantees	**2,879.21**	2,564.04
iii) Letters of credit	**8,239.20**	4,185.21
iv) Bills discounted with Bank	**1,207.81**	1,708.08
v) Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bengaluru quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of ₹ 46.18 lakhs paid has been included in disputed statutory dues and the Company is confident of receiving the refund from the PF authorities.	**Nil**	Nil
vi) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	**365.54**	303.20
vii) Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to ₹ 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to ₹ 399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of ₹ 658.88 lakhs (as at March 31, 2015 ₹ 643.46 lakhs) against the demand which has been included in disputed statutory dues.	**5,269.65**	5,182.06
viii) The Company has filed before the Honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company has paid an aggregate amount of ₹ 479.23 lakhs (as at March 31, 2015 ₹ 369.23 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 20.	**889.37**	889.37
ix) Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	**208.21**	219.10
x) Sales tax liabilities in respect of pending assessments - C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
xi) Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xii) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**0.90**	0.90
xiii) Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by the Company.	**1,370.49**	238.51

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
xiv) The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at March 31, 2015 ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal(DRAT) to set aside the orders passed by the DRT. The Company has deposited during the year ₹ 102.80 lakhs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. The Company does not acknowledge this liability.	**405.60**	405.60
xv) Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,164.66**	1,162.50
xvi) Corporate Gaurantee given to its wholly owned subsidiary	**6,594.12**	3,566.71
xvii) Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per Master Restructuring Agreement (MRA).	**514.00**	-

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums / settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable. However as a matter of abundant caution the Company has recognised a provision for contingencies, to take care of any liabilities that may devolve, as detailed in Note 47.

b) Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**62.58**	113.65

(₹ In lakhs)

	Particulars	Current Year	Previous Year
24	**Revenue from operations:**		
	i) Sale of products		
	Motors, alternators and generators	**30,324.76**	28,106.64
	Transformers	**13,535.34**	16,245.27
	DG sets	**10,268.31**	5,171.07
	Others	**5,408.62**	5,174.36
	Total	**59,537.03**	54,697.34
	ii) Sale of services	**845.70**	775.36
		60,382.73	55,472.70
	Less:		
	Excise duty	**5,607.58**	4,392.38
		54,775.15	51,080.32
25	**Other income:**		
	i) Interest income	**95.02**	107.96
	ii) Dividend income from long term investments	**8.52**	6.78
	iii) Profit on sale of fixed assets (net)	**42.51**	-
	iv) Provision no longer required and Unclaimed credit balance written back	**149.39**	114.54
	v) Rent received	**10.31**	24.68
	vi) Miscellaneous income	**47.98**	76.74
		353.73	330.70

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars		Current Year	Previous Year
26	**Cost of materials consumed:**		
	Consumption of raw materials, components, stores and spare parts	**40,596.93**	34,903.70
		40,596.93	34,903.70
	Additional Information:		
	i) Copper (Wires, strips, rods, sheets etc)	**7,345.34**	8,194.30
	ii) Iron and steel (pigiron, rounds, plates, sheets , etc.,)	**7,867.56**	6,942.52
	iii) Stores and spares	**879.29**	1,027.44
	iv) Others	**24,504.74**	18,739.44
27	**Changes in inventories of finished goods, work in progress and stock in trade:**		
	Stocks at the end of the year		
	i) Work in progress		
	Motors, alternators and generators	**3,212.89**	5,309.29
	Transformers	**1,554.95**	965.59
	DG Sets	**284.49**	499.18
	Others	**55.25**	29.84
	Total	**5,107.58**	6,803.90
	ii) Finished goods		
	Motors, alternators and generators	**1,277.47**	826.65
	Transformers	**642.24**	123.81
	DG sets	**316.29**	17.38
	Others	**168.74**	88.48
	Total	**2,404.74**	1,056.32
	iii) Scrap	**17.17**	24.63
		7,529.49	7,884.85
	Less:		
	Stocks at the beginning of the year		
	i) Work in progress		
	Motors, alternators and generators	**5,309.29**	7,231.44
	Transformers	**965.59**	1,948.40
	DG sets	**499.18**	1,536.36
	Others	**29.84**	60.23
	Total	**6,803.90**	10,776.43
	ii) Finished goods		
	Motors, alternators and generators	**826.65**	1,675.27
	Transformers	**123.81**	1,004.67
	DG sets	**17.38**	29.50
	Others	**88.48**	180.22
	Total	**1,056.32**	2,889.66
	iii) Scrap	**24.63**	4.24
		7,884.85	13,670.33
		355.36	5,785.48

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars			Current Year		Previous Year
28	**Employee benefit expenses:**				
	i) Salaries, wages and bonus		**6,079.10**		5,937.62
	ii) Contribution to provident and other funds		**640.68**		683.85
	iii) Staff welfare expenses		**797.65**		935.78
			7,517.43		7,557.25
29	**Finance costs:**				
	i) Interest expense		**3,932.22**		4,086.36
	ii) Other borrowing costs		**253.46**		326.78
			4,185.68		4,413.14
30	**Depreciation and amortization:**				
	i) Depreciation		**1,052.94**		1,058.88
	ii) Amortization of intangible assets		**48.13**		44.93
			1,101.07		1,103.81
31	**Other expenses:**				
	i) Power and fuel		**798.64**		780.34
	ii) Rent		**345.22**		380.14
	iii) Repairs to buildings		**87.17**		77.72
	iv) Repairs to machinery		**236.32**		182.52
	v) Repairs to others		**331.31**		315.87
	vi) Vehicle maintenance		**17.94**		29.04
	vii) Insurance		**29.67**		37.28
	viii) Rates and taxes		**209.20**		194.48
	ix) Payment to auditors				
	- as auditor (includes branch audit fees of ₹ 0.12, previous year ₹ 0.13)	**30.24**		38.14	
	- for taxation matters (includes ₹ 0.12, previous year ₹ 0.12 to branch auditor)	**10.00**		20.37	
	- for Certification work	**5.00**		7.00	
	- for limited review	**15.00**		15.00	
			60.24		80.51
	x) Selling expenses		**1,529.42**		1,641.09
	xi) Commission		**37.21**		72.27
	xii) Warranty claims		**248.13**		441.25
	xiii) Allowance for doubtful trade receivables		**30.77**		-
	xiv) Allowance for doubtful loans and advances		**352.00**		44.08
	xv) Net (gain)/loss on foreign currency transaction and translation		**66.43**		25.20
	xvi) Bad trade receivables written off	**0.30**		2.93	
	Less: Allowance for doubtful trade receivable withdrawn	-		600.00	
			0.30		(597.07)
	xvii) Irrecoverable loans and advances written off	-		29.96	
	Less: Allowance for doubtful loans and advances withdrawn	-	-	16.99	12.97
	xviii) Loss on sale of fixed asset (net)		-		283.35
	xix) Donations		**0.25**		2.20
	xx) Legal and professional charges		**437.66**		532.93
	xxi) Travelling		**534.90**		564.31
	xxii) Printing and stationary		**50.99**		62.58
	xxiii) Postage, telegrams and telephones		**127.75**		158.67

NOTES TO FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars		Current Year	Previous Year
xxiv)	Directors sitting fees	**12.90**	13.65
xxv)	Provision for assets held for sale	-	598.50
xxvi)	Provision for contingencies	**60.00**	1,518.14
xxvii)	Miscellaneous expenses	**1,036.21**	792.51
		6,640.63	8,244.53
32	**Extraordinary/ Exceptional item:**		
i)	Profit on transfer of assets to subsidiaries.	-	(14,000.86)
ii)	Loss on sale of investments	-	16,384.17
iii)	Sale of equity shares held by KECL Investment Trust [refer note 3 footnote 2(c)]	**(2,155.18)**	-
		(2,155.18)	2,383.31
33	**Additional Information:**		
a)	Value of Imports calculated on CIF basis:		
i)	Raw Materials, Components and spare parts	**417.35**	387.40
ii)	Capital goods	**13.78**	9.53
b)	Expenditure in foreign currency: (net of withholding tax)		
i)	Professional, consultancy and other fees	**84.45**	35.24
ii)	Travel	**82.44**	99.94
iii)	Investments in wholly owned subsidiary (Kirsons BV)	-	3,360.50

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	**455.67**	**1.12%**	358.64	1.03%
ii)	Value of indigenous raw materials, spare parts and components consumed	**40,141.26**	**98.88%**	34,545.06	98.97%
		40,596.93	**100.00%**	34,903.70	100.00%

d)	Details of non-resident shareholdings		
i)	Number of nonresident share holders	**414**	388
ii)	Number of shares held by nonresident shareholders	**2,323,244**	2,208,728
e)	Earnings in foreign exchange:		
i)	Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	**3,887.24**	4,336.83
ii)	Dividends received	**8.52**	6.52
iii)	Remittances from overseas offices (Net)	**902.45**	289.42
34	**Earnings per share: (Basic and diluted)**		
(a)	Before exceptional item		
	Loss for the year after tax expense	**5,268.22**	10,591.32
	Weighted average number of equity shares	**53,528,495**	50,565,063
	Loss per share (Basic & Diluted) (*)	**9.84**	20.95
(b)	After exceptional item		
	Loss for the year after tax expense	**3,113.04**	12,974.63
	Weighted average number of equity shares	**53,528,495**	50,565,063
	Loss per share (Basic & Diluted) (*)	**5.82**	25.66

(*) Effect of potential equity shares is antidilutive

NOTES TO FINANCIAL STATEMENTS

35 (a) The order of the honourable High Court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of the operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

(b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the honourable High Court of Karnataka, assessed by the appropriate authority as directed by the honourable High Court of Karnataka.

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

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

37 Confirmation of balances from parties with whom the Company had transactions are awaited in certain cases. Accounts with certain parties are under review and reconciliation. Adjustments will be made on completion of review/reconciliation. In the assessment of the management, effect on revenue if any, is not expected to be material.

38 The customers of the Company had deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made representations to such customers explaining reasons for delays as well as impress upon them that the same were caused by various factors including those not attributable to it and as such being beyond its control. The Company had made necessary provision on an overeall assessment of the likely loss where in its opinion waiver is not likely. The Company is confident that its representations will be accepted by customers and liquidated damages and other charges deducted will be waived. Impact, if any, on the financial statements will not be material.

39 Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis. The management has also formed a task force for liquidation of slow/ non moving inventories in respect of which provision for inventories has been estimated and made. Any further adjustments required to the financial statements if any, is not expected to be material.

40 Machinery purchased in prior years but currently held for sale for the past several years have been recognized at realizable value estimated by the management. Such value is consistent with quotations received from prospective buyers after considering the provision made and any shortfall in realisability is not expected to be material.

41 Current assets, loans and advances include ₹ 268.17 Lakhs (as at March 31, 2015 ₹ 268.17 Lakhs) being rescheduled advances from certain companies in which certain key managerial personnel are interested. The Company is confident that these companies will fulfill their obligations and has considered these amounts as good of recovery.

42 During a previous year, the shareholders of the Company at the Annual General Meeting held on September 30, 2013 have approved an Employee Stock Option Scheme. However, the Company had not issued any options as at March 31, 2016 and accordingly, recognition of expense in this respect and requisite disclosures are not applicable.

43 DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":

(a) **Defined Contribution Plan:**

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

Particulars		(₹ in Lakhs)
	Current Year	Previous Year
Employer's contribution to provident & pension funds	**335.20**	354.54
Employer's contribution to superannuation fund	**45.44**	105.03

NOTES TO FINANCIAL STATEMENTS

(b) Defined Benefit Plan:

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

(₹ In lakhs)

1	**Reconciliation of opening and closing balances of defined benefit obligation:**	**As at March 31, 2016**		As at March 31, 2015	
		Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
	Defined Benefit obligation at beginning of the year	2,490.09	529.10	2,489.47	478.30
	Current Service Cost (*)	112.38	36.38	123.51	42.62
	Interest Cost	184.64	41.80	200.91	44.24
	Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	(164.51)	-
	Actuarial (gain)/ loss	12.60	10.54	150.96	(36.06)
	Benefits Paid	(366.62)	(132.78)	(310.25)	
	Defined Benefit obligation at end of the year	2,437.49	485.04	2,490.09	529.10
2	**Reconciliation of opening and closing balance of fair value of plan assets:**				
	Fair value of plan assets at beginning of the year	1,310.95	160.80	1,469.03	147.52
	Expected return on plan assets	103.57	12.70	138.09	12.02
	Employer Contribution	16.89	-	34.66	-
	Benefits paid	(366.62)	-	(310.25)	-
	Actuarial gain/(loss)	(11.07)	0.73	(20.58)	1.26
	Fair value of plan assets at year end	1,053.72	174.23	1,310.95	160.80
3	**Reconciliation of fair value of assets and obligations:**				
	Fair value of plan assets	1,053.72	174.23	1,310.95	160.80
	Present value of obligation	2,437.49	485.04	2,490.09	529.10
	Amount recognized in Balance Sheet under liabilities	1,383.77	310.81	1,179.14	368.30
4	**Expense recognized during the year:** (under "Note 28" Employee Benefit Expenses" in the Statement of Profit and Loss)	**Current Year**		Previous Year	
	Current Service Cost	112.38	36.38	123.51	42.62
	Interest Cost	184.64	41.80	200.91	44.24
	Expected return on plan assets	(103.57)	(12.70)	(138.09)	(12.02)
	Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	(164.51)	-
	Actuarial (gain)/ loss	23.67	9.81	171.54	(37.32)
	Net Cost	221.52	75.28	193.36	37.52
5	**Actuarial assumptions:**	**As at March 31, 2016**		As at March 31, 2015	
	Mortality Table	**Indian Assured Lives (2006 -08) (Ultimate)**		Indian Assured Lives (2006 -08) (Ultimate)	
	Discount rate (per annum)	7.99%	7.99%	7.90%	7.90%
	Expected rate of return on plan assets (per annum)	7.99%	7.99%	7.90%	7.90%
	Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

(*) Leave provision for current year includes provision for short term compensated absence as assessed by the actuary

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.

NOTES TO FINANCIAL STATEMENTS

6. Present value of DBO, Fair Value of Plan Assets, Deficit/(Surplus), Experience Adjustments for current and earlier periods of Gratuity (Funded):

	2015-16	2014-15	2013-14	2012-13	2011-12
Defined benefit obligation at the end of the period	(2,437.49)	(2,490.09)	(2,489.47)	(2,707.63)	(2,383.95)
Plan assets at the end of the period	1,053.72	1,310.95	1,469.03	1,764.41	1,669.97
Funded Status	(1,383.77)	(1,179.14)	(1,020.44)	(943.22)	(713.98)
Experience Gain/(Loss) adjustments on plan liabilities	(24.27)	23.38	62.47	198.12	59.55
Experience Gain/(Loss) adjustments on plan assets	(11.07)	(20.58)	(10.38)	(9.22)	(5.48)
Actuarial Gain/(Loss) due to change on assumptions	11.67	(174.33)	(164.81)	79.31	70.97

44 SEGMENT REPORTING:

The Company has not furnished segment report since same has been furnished in the consolidated financial statements, as referred to para 4 of Accounting Standard 17 issued by Central Government

45 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirsons B V (upto 04 March 2015) Luxquisite Parkland Private Limited SLPKG Estate Holdings Private Limited SKG Terra Promenade Private Limited KELBUZZ Trading Private Limited Kesvik Developers Private Limited Swaki Habitat Private Limited	Wholly Owned Subsidiary
2	Kirsons B V (w.e.f 05 March 2015) Lloyd Dynamowerke GmbH & Co. KG (refer Note 49) Lloyd Beteiligungs GmbH	Step down subsidiary
3	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Vinayak Narayan Bapat Mr. Anand B Hunnur Mr. Soumendra Mahapatra (from June 30, 2015) Mr. Chinmoy Pattnaik (from November 28, 2015) Ms. K S Swapnalatha (upto June 30, 2015) Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives (“KMP”)
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
5	Senapathy Whiteley Private Limited. (upto November 5, 2015) Senapathy Symons Insulation Pvt Ltd. (upto November 5, 2015) Transport Corporation of India Maini Material Movement Private Limited Best Trading & Agencies Limited (upto November 28, 2014) Bangalore Motors Private Limited Batliboi Limited Bhagyanagar India Limited Bhoruka Agro Business Private Limited Bhoruka Cogen Power Private Limited Bhoruka Park Private Limited Bhoruka Power Corporation Limited	

NOTES TO FINANCIAL STATEMENTS

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
	Bhoruka Power Investments India Private Limited Bhoruka Steel And Services Limited Bhuruka Gases Investments India Private Limited Bhuruka Gases Limited Crest Construction Private Limited Edutech Nttf India Private Limited Fish-N-Chips Hotels Private Limited Gove Finance Limited Hotel Pearls Private Limited Indian Electrical And Electronics Manufacturers Association Janaadhar (India) Private Limited Jubilant Life Sciences Limited Karnataka Coffee Brokers Private Limited Keasirobicon Industrial Systems Private Limited Kirloskar Power Build Gears Limited Lakshmi Ring Travellers (Coimbatore) Limited Mitsubishi Heavy Industries-Vst Diesel Engines Private Limited MRF Limited NCL Industries Ltd Nettur Technical Training Foundation Parinaam Foundation Pearls Estates Private Limited Pepper Ridge Bio-Solutions Llp Pharmed Limited Pinnae Feeds Limited Prabhu Structures Holdings Private Limited Prabhu Structures Investment India Private Limited Quippo Infrastructure Equipment Limited Reliance Industries Limited Servion T Global Solutions Limited Shahapur Power Limited Sporturf Construction (India) Private Limited Sundaram -Clayton Limited TCI Industries Limited Teleradiology Solutions Private Limited The Waterbase Limited V P Mahendra Brothers Investments Private Limited V.S.T. & Sons Private Limited V.S.T.Auto Ancilleries Private Limited V.S.T.Auto Parts Private Limited V.S.T.Motors Private Limited VST Holdings Private Limited VST Tillers Tractors Limited Lakshmanan Isola Private Limited (upto November 5, 2015)	Enterprises which are related parties as per section 2(76) of the Companies Act, 2013. (“Others-A”)

NOTES TO FINANCIAL STATEMENTS

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
6	Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Private Limited Kirloskar Electric Charitable Trust Sri Vijaydurga Investments and Agencies Private Limited Vijayjyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services KEC Executives & Others Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which key management personnel and their relatives are able to exercise significant influence ("Others-B")

(b) Transactions with the related parties (₹ In lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others B	**45.43**	35.85
Sri Vijayadurga Investments and Agencies Private Limited		**93.32**	93.64
Ravindu Motors Private Limited		**1.78**	1.25
Abhiman Trading Company Private Limited		**90.22**	104.28
Kirloskar electric Charitable Trust		-	5.17
Senapathy Whitley Private Limited	Others-A	0.32	-
Lakshmanan Isola Private Limited		34.45	56.06
Transport Corporation of India		141.65	299.07
Sale of goods and services:			
KELBUZZ Trading Private Limited	Subsidiary	-	45.68
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	-	509.98
Kirloskar (Malaysia) Sdn. Bhd	Associates	148.43	413.37
Ravindu Motors Private Limited	Others-B	7.63	-
Kirloskar Electric Charitable Trust	Others-B	-	0.38
Senapathy Whitley Private Limited	Others-A	1.50	-
Sale of Assets/Investment:			
KELBUZZ Trading Private Limited	Subsidiary	-	5,088.00
Luxquisite Parkland Private Limited - Sale of Investments		-	6,063.00
SKG Terra Promenade Private Limited		-	3,450.00
SLPKG Estate Holdings Private Limited		-	5,518.00
Sale of Receivables:			
KELBUZZ Trading Private Limited	Subsidiary	-	4,759.69
SLPKG Estate Holdings Private Limited		-	4,300.07
Sale of Fixed Asset:			
Ravindu Motors Private Limited	Others-B	-	305.59
Rent paid			
Kirloskar Power Equipment Limited	Others B	**45.05**	60.00
Vijayjyothi Investments and Agencies Private Limited		**78.39**	78.00

NOTES TO FINANCIAL STATEMENTS

(b) Transactions with the related parties (₹ In lakhs)

Particulars	Relationship	Current Year	Previous Year
Remuneration paid:			
Vijay R Kirloskar*	KMP	106.68	214.82
Vinayak Narayan Bapat*		73.01	50.09
Anand B Hunnur*		45.70	21.95
Swapna Latha*		5.99	20.72
Alok Kumar Gupta*		-	5.00
Soumendra Kumar Mahapatra*		23.75	-
Chinmoy Pattnaik*		8.70	-
Janaki Kirloskar*		2.02	3.57
Rukmini Kirloskar*		5.86	5.98
Meena Kirloskar (Sitting Fees)		1.50	1.35
Interest paid			
Vijay R Kirloskar	KMP	-	2.86
Vijayjyothi Investments and Agencies Private Limited	Others B	-	8.21
KEC Executives & Others Officers Welfare Trust		-	0.20
KEC Officers & Engineers Welfare Trust		-	0.20
KEC Vice Presidents Welfare Trust		-	0.26
KEC Engineers of Mysore Unit Welfare Trust		-	0.06
Investments made			
Kirsons B V	Subsidiary	-	3,360.50
KELBUZZ Trading Private Limited		-	404.55
Luxquisite Parkland Private Limited		-	6,064.00
SKG Terra Promenade Private Limited		-	1.00
SLPKG Estate Holdings Private Limited		-	9.00
Kesvik Developers Private Limited		1.00	-
Swaki Habitat Private Limited		1.00	-
Issue of Shares to Vijay R Kirloskar	KMP		
Issue of Equity shares		-	265.82
Share Premium		-	543.34
Issue of CCPS		-	1,595.89
Conversion of CCPS into equity share			
Issue of Equity shares		255.42	
Share Premium		522.07	
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP		100.00
KEC Engineers of Mysore Unit Welfare Trust		-	5.00
KEC Executives & Others Officers Welfare Trust	Others B	-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
Inter company deposit accepted:			
Best Trading & Agencies Limited	Others A	-	2,222.00
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others B	-	74.20
Best Trading & Agencies Limited	Others A	-	345.00
Reimbursement of expenses by company to subsidiary			
KELBUZZ Trading Private Limited	Subsidiary	310.06	63.74
Luxquisite Parkland Private Limited		10.17	50.30
SKG Terra Promenade Private Limited		233.46	0.13
SLPKG Estate Holdings Private Limited		597.46	0.14
Kesvik Developers Private Limited		0.14	-
Swaki Habitat Private Limited		0.13	-

* Remuneration paid excludes accrued gratuity, compensated absence (since liability has been recognized for the Company as a whole) free use of company car and communication facilities

NOTES TO FINANCIAL STATEMENTS

(c) Outstanding balances at the end of the year: (₹ In lakhs)

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due to Company:			
KELBUZZ Trading Private Limited		5,765.51	5,790.60
Luxquisite Parkland Private Limited		60.47	50.30
SKG Terra Promenade Private Limited	Subsidiary	3,683.60	3,450.13
SLPKG Estate Holdings Private Limited		5,440.89	9,305.64
Kesvik Developers Private Limited		0.14	-
Swaki Habitat Private Limited		0.13	-
Kirloskar (Malaysia) Sdn. Bhd	Associate	151.29	-
Kirloskar Power Equipment Limited		180.00	180.00
Vijay Farms Private Limited		192.64	192.36
Sri Vijayadurga Investments and Agencies Private Limited		19.20	33.46
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited	Others-B	0.14	0.14
Maini Materials Movement Pvt Ltd.,		10.97	
Transport Corporation of India Ltd,		0.24	
Abhiman Trading Company Private Limited		98.97	98.97
Kirloskar Batteries Private Limited		2.69	2.69
Amount due from Company:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	179.46	133.36
Senapathy Whitley Private Limited		-	94.59
lakshmanan Isola Private Limited	Others-A	-	18.28
Transport Corporation of India		71.07	98.11
Kirloskar Batteries Private Limited		14.36	11.86
Kirloskar Electric Charitable Trust		-	5.00
Kirlokar Power Equipment Limited		203.26	162.91
Vijay Farms Private Limited	Others-B	5.68	7.51
Vijayjyothi Investments and Agencies Private Limited		108.34	66.89
Abhiman Trading Company Private Limited		26.63	28.95
Sri Vijayadurga Investments and Agencies Private Limited		10.34	20.17
Ravindu Motors Private Limited		0.14	0.81
Invenstment held			
KELBUZZ Trading Private Limited		404.55	404.55
Luxquisite Parkland Private Limited		6,064.00	6,064.00
SKG Terra Promenade Private Limited	Subsidiary	1.00	1.00
SLPKG Estate Holdings Private Limited		9.00	9.00
KESVIK DEVELOPERS PRIVATE LIMITED		1.00	-
SWAKI HABITAT PRIVATE LIMITED		1.00	-
Guarantees given by the Company and outstanding at the end of the year for the loan taken by:			
KELBUZZ Trading Private Limited	Subsidiary	4,005.81	3,566.71
SLPKG Estate Holdings Private Limited		2,588.31	-
Guarantees given by the Subsidiary in respect of loan taken by the Company and outstanding at the end of the year:			
SKG Terra Promenade Private Limited	Subsidiary	2,715.00	2,715.00
Guarantees given for the loans taken by the Company and outstanding at the end of the year by:			
Vijay R Kirloskar	KMP	20,155.68	15,569.86

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

NOTES TO FINANCIAL STATEMENTS

46 OPERATING LEASE:

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 ₹ 345.22 Lakhs (Previous Year ₹ 380.14 Lakhs).

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

(₹ in Lakhs)

Sl. No.	Particluars	Provision for Contingencies	Wage Arrears	Short Term Compensated Absences	Warranty Claims
1	Balance outstanding at the beginning of the year	**1,518.14** -	**400.24** 245.02	**17.11** 18.61	**597.90** 357.07
2	Provision for the year (net)	**60.00** 1,518.14	**347.55** 155.22	**(0.08)** (1.50)	**1.87** 240.83
3	Balance outstanding at the end of the year	**1,578.14** 1,518.14	**747.79** 400.24	**17.03** 17.11	**599.77** 597.90

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abundant caution an estimated provision as been made for contingencies as held in respect of ongoing litigations as detailed in note 23 and certain probable liability including in respect of customers.

48 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2016 are as under:

Particulars	As at March 31, 2016		As at March 31, 2015	
	FCY	₹ in Lakhs	FCY	₹ in Lakhs
Assets (Receivables)	**USD 1,099,053** **EUR 127,344** **AED -**	**822.38**	USD 1,011,350 EUR 127,676 AED 8,994 GBP 4,857	725.06
Liabilities (Payables)	**USD 664,838** **EUR 248,884** **AED 47,349**	**638.03**	USD 814,644 EUR 284,420 AED 363,284	766.07

49 During the previous year the Company promoted the following wholly owned subsidiaries namely Kelbuzz Trading Private Limited ("KTPL"), SLPKG Estates Holdings Private Limited ("SEHPL"), SKG Terra Promenade Private Limited ("STPPL") and Luxquisite Parkland Private Limited ("LPPL"). During the year the Company has promoted two more wholly owned subsidiaries namely Kesvik Developers Private Limited ("KDPL") and Swaki Habitat Private Limited ("SHPL"). Further the Company has provided corporate gaurantee to the banks in respect of term loans given to KTPL and SEHPL (Refer Note 23(a)(xvi)).

50 As reported in the previous year Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses in earlier years, thereby eroding its net worth and consequent to the actions of local directors of LDW, insolvency administrator was appointed by the court in Germany during the preceding year. The Company has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the Company, in spite of its best efforts. The Company has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B V (immediate holding company of LDW). The Company has also appointed a local legal counsel to represent its interest and has filed certain claims. The legal proceedings are in progress in Germany. However the Company does not expect any material impact on the financial statements due to the same.

51 KTPL, SEHPL and STPPL, wholly owned subsidiaries of the Company have incurred losses during the year and a part/ whole of their net worth have been eroded. However having regard to the estimated fair value of the assets which these Companies hold, the diminution in value has been considered as temporary and no provision has been recognised in the financial statements.

NOTES TO FINANCIAL STATEMENTS

52 a) As a measure of restructuring and with the consent of the lending banks under the Joint Lender Forum (JLF) mechanism, the Company had transferred in the preceding year certain assets comprising of immovable properties, receivables and inventory to KTPL, STPPL and SEPL, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts transferred / to be transferred by the Company. The amounts outstanding and due from the said subsidiaries as at March 31, 2016 in respect of the transfer of the assets as mentioned above totally amount to ₹ 14,950.73 lakhs (previous year ₹ 18,452.51 Lakhs). These subsidiaries are taking active steps to repay the dues of the Company, from collection of debts assigned and from disposal of assets transferred apart from debts transferred / to be transferred as referred above. These subsidiaries have been sanctioned credit facilities to an aggregate extent of ₹ 500 lakhs (net of amounts drawn). The board of directors of the Company are confident of recovery of the entire amounts due from the said subsidiaries.

b) The sale of the immovable properties referred above shall be carried out under the supervision of the Asset Sale Committee. The Lenders shall constitute the Asset Sale Committee.

53 The net worth of the group in terms of the CFS presented consisting of the Company, its subsidiaries and its associate is eroded. The Company and its components have initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, introduction of value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Company on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

54 The Company has filed before the honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honourable High Court of Karnataka. The Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect.

55 The Company during the previous year restructured its loans under Joint Lenders Forum mechanism ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 would be converted into Funded Interest Term Loan. Consequently the joint deed and other documentation was duly completed as permitted in the extant guidelines of the JLF mechanism. A Master Restructuring Agreement ("MRA") has been entered by the Company and its Lenders, Bank of India" being the lead bank on June 30, 2015. In pursuance of the MRA the Company has executed other supplementary agreements including Trust and Retention Agreement ("TRA"). The agreements contain various terms and conditions in respect of the facilities sanctioned to the Company including setting up and reporting to the Monitoring Committee. The lenders shall have the right to convert at its option the whole of the outstanding amount of the facilities and / or part thereof into fully paid up equity shares of the Company in the manner specified in the notice in writing to be given by the Lenders to the Company ("Notice of Conversion") prior to the date on which the conversion is to take effect, which date shall be specified in the notice ("Date of Conversion"). The said shares shall rank parri-passu with the existing equity shares of the Company.

56 The Income Tax Act, 1961 contains provisions for determination of arm's length price for international transactions between the Company and its associated enterprises. The regulations envisage taxation of transactions which are not in consonance with the arms length price so determined, maintenance of prescribed documents and information including furnishing of a report from an accountant before the due date for filing the return of income. For the year ended March 31, 2016, the Company is in the process of complying with the said regulations. Management believes that such transactions have been concluded on an arm's length basis and there would be no additional tax liability for the financial year under consideration as a result of such transactions.

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

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. Vasuki H S
Partner
Membership No. : 212013

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar	**CA. Vinayak Narayan Bapat**	**Kamlesh Gandhi**
Executive Chairman	Managing Director	Director
DIN : 00031253	DIN : 06936639	DIN : 00004969

CA. Soumendra Kumar Mahapatra	**CS. Chinmoy Pattnaik**
Vice President -Finance & Chief Financial Officer	Associate Vice President - Legal & Company Secretary

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

Report on the Consolidated Financial Statements:

We have audited the accompanying consolidated financial statements of Kirloskar Electric Company Limited ("the Holding Company"), its subsidiaries and associate (collectively referred to as "the Group") which comprise of the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements:

The Holding Company's Board of Directors are responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as"the Act")that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("the Rules").The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design,implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis of Qualified Opinion:

Attention is invited to note 41 to the financial statements regarding debts exceeding two year and considered as good by management estimated at ₹ 4,601 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts. We are unable to express an independent opinion on the same.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the matters stated in the basis of qualified opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Group as at March 31, 2016, and its loss and its cash flows for the year ended on that date

Other Matters:

a) We did not audit the financial statements of 7 subsidiaries included in these consolidated financial statements. Such financial statements of subsidiaries reflect total assets of ₹ 1,109.96 Lakhs as at March 31, 2016, total revenues of ₹ Nil Lakhs and net cash flows of ₹ 5.25 lakhs for the year ended on that date, as considered in these consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion on such financial statements as consolidated are based solely on the report of such other auditors.

b) Unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd, an associate in which share of loss of the Group was ₹ Nil Lakhs (restricted to the value of the investments) has been considered for preparation of these financial statements. Unaudited financial statements as received from the said associate has been considered for the purpose of preparation of these consolidated financial statements.

Emphasis of Matter:

(a) Attention of the members is invited to note 53 to the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, even though the net worth of the group, consisting of the Company, its subsidiaries and its associate have been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 55 to the financial statements, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the section 143(3) of the Act, we report that:

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

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

   c. The consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this report are in agreement with the books of account.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   e. On the basis of the written representations received from the directors as on March 31, 2016 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.

   g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

      i) The Holding Company and its Indian subsidiaries have disclosed its pending litigations in note 27 to the financial statements which would impact its financial position;

      ii) The Holding Company and its Indian subsidiaries did not have any long-term contracts as required under the applicable law or accounting standards, for material foreseeable losses. The Holding Company and its Indian subsidiaries has not entered into any derivative contracts.

      iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

(CA C R Deepak)
Partner
Membership No. 215398

Place : Bengaluru
Date : May 25,2016

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act"):

In conjunction with our audit of consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal controls over financial reporting of Kirloskar Electric Company Limited ("the Holding Company") and its subsidiary companies which are incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls:

The respective Board of Directors of the Holding Company and its subsidiaries, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility:

Our responsibility is to express an opinion on the Holding Company and its subsidiaries incorporated in India internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company and its subsidiaries incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting:

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion:

In our opinion, the Holding Company and its subsidiary companies which are incorporated in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Other Matters:

Our aforesaid reports under section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 6 subsidiary companies, incorporated in India, are based on the corresponding reportsof theauditor of such companies incorporated in India.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

(CA C R Deepak)
Partner
Membership No. 215398

Place : Bengaluru
Date : May 25,2016

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2016		As at March 31, 2015	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	7	**6,391.78**		6,913.85	
(b) Reserves and surplus	8	**(25,615.15)**		(22,188.65)	
			(19,223.37)		(15,274.80)
(2) Minority interest			**4.00**		3.00
(3) Non - current liabilities					
(a) Long term borrowings	9	**14,484.45**		9,078.45	
(b) Other long term liabilities	11	**1,481.57**		1,770.52	
(c) Long term provisions	12	**1,677.55**		1,547.44	
			17,643.57		12,396.41
(4) Current liabilities					
(a) Short term borrowings	13	**14,422.09**		15,681.14	
(b) Trade payables -total outstanding dues of					
(i) micro and small enterprises, and	14(a)	**80.83**		73.43	
(ii) creditors other than micro and small enterprises	14(b)	**18,286.34**		18,981.14	
(c) Other current liabilities	15	**9,878.77**		7,856.25	
(d) Short term provisions	16	**2,950.43**		3,434.03	
			45,618.46		46,025.99
TOTAL			**44,042.66**		43,150.60
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	17	**8,450.07**		8,895.44	
(ii) Intangible assets	17	**784.11**		922.21	
(iii) Capital work in progress	18	**14.25**		165.78	
		9,248.43		9,983.43	
(b) Non - current investments	19	**81.09**		81.09	
(c) Deferred tax assets (net)	10	-		-	
(d) Long term loans and advances	20	**1,971.85**		2,064.29	
(e) Other non current assets	21	**450.50**		292.01	
			11,751.87		12,420.82
(2) Current assets					
(a) Inventories	22	**9,756.83**		9,340.14	
(b) Trade receivables	23	**16,832.79**		16,556.95	
(c) Cash and bank balances	24	**2,620.52**		2,010.84	
(d) Short term loans and advances	25	**1,222.84**		1,031.84	
(e) Other current assets	26	**1,857.81**		1,790.01	
			32,290.79		30,729.78
TOTAL			**44,042.66**		43,150.60
Significant accounting policies and notes attached form an integral part of the financial statements	1 to 6, 27, 39 to 58	-			-

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. C.R. Deepak
Partner
Membership No. : 215318

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar
Executive Chairman
DIN : 00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN : 06936639

Kamlesh Gandhi
Director
DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

	Particulars	Note No.	Current Year		Previous Year	
I	Revenue from operations	28		**54,775.15**		51,034.64
II	Other income	29		**353.73**		1,300.06
III	**Total revenue (I + II)**			**55,128.88**		52,334.70
IV	Expenses					
	Cost of materials consumed	30	**40,596.93**		30,048.89	
	Changes in inventories of finished goods, work in progress and stock in trade	31	**355.37**		10,594.59	
				40,952.30		40,643.48
	Employee benefits/ expenses	32		**7,517.46**		7,557.25
	Finance costs	33		**4,860.77**		4,546.65
	Depreciation and amortization	34		**1,205.95**		1,208.34
	Other expenses	35		**6,696.15**		10,887.08
				61,232.63		64,842.80
	Less: expenses capitalised			-		5.57
	Total expenses			**61,232.63**		64,837.23
V	**Loss before exceptional and extraordinary items and tax (III-IV)**			**6,103.75**		12,502.53
VI	Exceptional Items	36		**(2,155.18)**		11,501.35
VII	Loss before tax (V + VI)			**3,948.57**		24,003.88
VIII	Tax expense:					
	(1) Current tax		-		-	
	(2) Deferred tax		-		-	
				-		-
IX	Loss after tax and before share of income from associates and minority interest			**3,948.57**		24,003.88
X	Adjustments:					
	Share of loss/(profit) in associates (net of tax)			-		27.85
XI	Loss for the year (IX + X)			**3,948.57**		24,031.73
XII	Earning per equity share before exceptional item:	38				
	Basic & diluted			**(11.40)**		(24.78)
XIII	Earning per equity share after exceptional item:	38				
	Basic & diluted			**(7.38)**		(47.53)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 37, 39 to 58				

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. C.R. Deepak
Partner
Membership No. : 215318

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Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

Particulars	Current Year		Previous Year	
Cash flows from operating activities				
Profit / (Loss) before taxation		**(3,948.57)**		(24,031.73)
Adjustments for:				
Depreciation and amortisation	**1,205.95**		1,208.34	
Provisions (net)	**26.84**		2,819.44	
Profit on sale of fixed assets	**(42.51)**		307.27	
Share of income from associates	-		27.85	
Exceptional item	**(2,155.18)**		11,501.35	
Interest income	**(95.02)**		(107.96)	
Dividends received	**(8.52)**		(6.78)	
Finance costs	**4,860.77**		4,546.65	
		3,792.33		20,296.16
		(156.24)		(3,735.57)
(Increase)/ decrease in trade and other receivables	**(1,126.34)**		(882.89)	
(Increase)/ decrease in inventories	**(416.69)**		6,070.46	
Increase/ (decrease) in trade payables and other current liabilities	**(450.97)**		(5,939.46)	
		(1,994.00)		(751.89)
		(2,150.24)		(4,487.46)
Income taxes paid		**181.55**		46.00
Net cash from operating activities		**(2,331.79)**		(4,533.46)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(166.71)**		(1,184.85)	
Proceeds from sale of property, plant and equipment	**65.14**		1,394.57	
Proceeds from sale of treasury stock	**2,155.18**		**-**	
(Increase)/decrease in other bank balances	**(285.77)**		1,614.65	
Interest received	**95.02**		107.96	
Dividend received	**8.52**		6.78	
Net cash from investing activities		**1,871.38**		1,939.11
Cash flows from financing activities				
Proceeds from issue of share capital	-		2,405.05	
Proceeds from issue of shares to minority	**1.00**		3.00	
Proceeds from long term borrowings	**6,746.82**		1,517.07	
Proceeds from ICD's	**495.00**		14,856.98	
Repayment of ICD's	**(1,339.30)**		(14,553.00)	
Fixed deposits from public accepted	**567.50**		-	
Repayment of fixed deposits from public	**(1,715.70)**		(1,070.14)	
Increase/ (decrease) of short term borrowings (net)	**(412.95)**		2,330.87	
Repayment of finance lease obligation	-		(514.40)	
Finance costs	**(3,558.05)**		(3,932.99)	
Net cash from financing activities		**784.32**		1,042.44
Net increase/(decrease) in cash and cash equivalents		**323.91**		(1,551.91)
Cash and cash equivalents at beginning of the year		**1,066.40**		4,729.65
Adjustment for cash balance on account of loss of control in subsidiary		-		2,111.34
Cash and cash equivalents at end of the year		**1,390.31**		1,066.40
Cash & Cash equivalents:				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:				
Cash on hand and bank balances		**2,620.52**		2,010.84
Less: Other bank balances		**1,230.21**		944.44
Cash and cash equivalents as restated		**1,390.31**		1,066.40

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. C.R. Deepak
Partner
Membership No. : 215318

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar
Executive Chairman
DIN : 00031253

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Kamlesh Gandhi
Director
DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BACKGROUND:

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

2 BASIS OF CONSOLIDATION:

The consolidated financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates (collectively referred as "the Group") used in the preparation of this consolidated financial statements have been drawn up on the same reporting date as that of the parent company i.e. year ended March 31, 2016. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used is as received from it and is unaudited.

3 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

The consolidated financial statements of the Group have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

4 PRINCIPLES OF CONSOLIDATION:

a) The financial statements of the 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 in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements.

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

c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries and associates are recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

d) Investments in associate companies have been accounted under the equity method as per AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

e) 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.

5 SIGNIFICANT ACCOUNTING POLICIES:

5.1 FIXED ASSETS:

(i) Tangible Assets

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

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition less amortisation.

5.2 ASSETS HELD FOR SALE:

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

5.3 INVESTMENTS:

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

5.4 INVENTORIES:

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

Material cost of work in progress and finished goods have been computed on weighted average basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5.5 DEPRECIATION:

a) 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 month of addition.

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

c) Depreciation on assets (other than furniture and fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged on straightline method as per the useful life in Schedule II of the Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold except in case of certain plant & machinery whose useful life is assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straightline basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools different from that specified in Schedule II to the said act are ranging from 1 to 25 years. Assets whose individual value is less than Rs.5,000/- is depreciated fully in the year of addition irrespective of useful life.

Kirsons BV

Depreciation on technical know-how fees is amortised over a period of ten years.

5.6 IMPAIRMENT OF ASSETS:

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

5.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

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

5.8 REVENUE RECOGNITION:

(a) Sale of products and services are recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, service tax, sales tax, value added tax and trade discounts.

(b) Interest income is recognised on time proportion basis.

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

(d) Rental income is recongised on time proportion basis.

5.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

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

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

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

b) Defined Benefit Plans:

Employees' gratuity is defined benefit plan. 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 gains and losses are recognized immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms that matches to the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c) Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

5.10 FOREIGN CURRENCY TRANSACTIONS:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

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

d) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

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

5.11 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.

5.12 BORROWING COSTS:

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

5.13 PROVISIONS & CONTINGENT LIABILITIES:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Name of the company	Nature of relationship	Country of Incorporation	Proportion of Ownership	
			Current Year	Previous year
Kelbuzz Trading Private Limited	Subsidiary	India	100%	100%
Luxqusite Parkland Private Limited	Subsidiary	India	100%	100%
SKG Terra Promenade Private Limited	Subsidiary	India	100%	100%
SLPKG Estate Holdings Private Limited	Subsidiary	India	100%	100%
Swaki Habitat Private Limited	Subsidiary	India	100%	-
Kesvik Developers Private Limited	Subsidiary	India	100%	-
Kirsons BV	Subsidiary	The Netherlands	100%	100%
Lloyd Dynomowerke GmbH & Co KG ("LDW")	Subsidiary	Germany		
Lloyd Beteiligungs GmbH	Subsidiary	Germany	Refer foot	Refer foot
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	Associates	Bahrain	notes	notes
Kirloskar (Malaysia) Sdn.Bhd.	Associates	Malaysia	30%	30%

Foot note:

1 Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses during the previous two years, thereby eroding its net worth. The local directors of LDW filed a preliminary insolvency petition on September 8, 2014 and on September 9, 2014 preliminary insolvency was declared and preliminary insolvency administrator was appointed by the court in Germany.

2 The group has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the group, in spite of its best efforts. The group has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B V (immediate holding company of LDW). The group has also appointed a local legal counsel to represent its interest, prepare a case for recovering damages and file a case against the lenders of LDW and few other parties.

3 As per German law from the date of filing preliminary insolvency petition, all disposals by LDW may be executed/ made only with the consent of the insolvency administrator. The group has been advised that from a German legal perspective, Kirsons BV (wholly owned subsidiary of the Company) lost control over LDW on September 8, 2014 and is not in a position any longer to obtain any economic benefits from such activities, although it continues to be the major shareholder of LDW. Further, the insolvency administrator has already disposed off all significant assets, patents, estates, orders and employees of LDW to the South Korean Company and mere distribution of assets of LDW amongst its creditors is pending. The group has been given to understand that the financial statements of LDW, for the period from April 1, 2014 to September 8, 2014 and thereafter have not been prepared. Accordingly, these consolidated financial results (CFS) do not include any transactions of LDW from the year 2014 - 15 onwards. Further, since the group has lost control over LDW during the previous year, all assets and liabilities of LDW as at April 1, 2014 and recognised in the CFS for the financial year 2013 - 14 were derecognised and the resultant deficit (after restoring certain intangible assets transferred from LDW to Kirsons BV in prior years and eliminated in the CFS in the year 2014 - 15 as an intra group transaction) was recognised in the CFS for the year 2014 - 15 as an exceptional item.

4 No financial statements have been received from Llyod Beteillgungs GMBH for the year 2014 - 15 and onwards and accordingly, have not been consolidated in these financial statements. In the opinion of the management, impact of the same will not be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**₹ in Lakhs**	Number	₹ in Lakhs
7	**Share capital:**				
	Authorized: (*)				
	Preference Shares of ₹ 100/- each	**3,000,000**	**3,000.00**	3,000,000	3,000.00
	Equity shares of ₹ 10/- each	**60,000,000**	**6,000.00**	60,000,000	6,000.00
			9,000.00		9,000.00
	Issued, subscribed and fully paid up:				
	Preference shares of ₹ 100/- each				
	At the beginning of the year	**1,595,890**	**1,595.89**		
	Issued during the year	-	-	1,595,890	1,595.89
	Redeemed during the year (Refer foot note 1.c. below)	**777,485**	**777.49**		
	At the close of the year	**818,405**	**818.40**	1,595,890	1,595.89
	Equity shares of ₹ 10/- each				
	At the beginning of the year	**53,179,567**	**5,317.96**	50,521,367	5,052.14
	Issued during the year	**2,554,156**	**255.42**	2,658,200	265.82
	At the close of the year	**55,733,723**	**5,573.38**	53,179,567	5,317.96
	Total		**6,391.78**		6,913.85

(*) The Company had passed resolution approved by the members at the 68th Annual General Meeting held on September 28, 2015 increasing the Authorised Share Capital of the company from ₹ 900,000,000/- (Rupees Ninety Crores) divided into 60,000,000 (Six Crores) Equity Shares of ₹ 10/- each and 3,000,000 (Thirty Lakhs) Preference Shares of ₹ 100/- each to ₹ 1,650,000,000/- (Rupees One Hundred and Sixty Five crores) divided into 90,000,000 (Nine Crores) Equity Shares of ₹ 10/- each and 7,500,000 (Seventy Five Lakhs) Preference Shares of ₹ 100/- each. However the Company did not act on such increase in authorised share capital and consequently not made any payment of stamp duty. Subsequently the Company has convened an Extra Ordinary General Meeting on June 24, 2016 vide a notice dated May 18, 2016 where a resolution has been proposed that the above resolution passed shall stand cancelled, be treated as void ab initio, and not to take effect. The said notice has proposed to increase the authorised share capital of the Company to Rs 1,150,000,000/- (Rupees One Hundred and Fifteen Crores) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity shares of Rs. 10/- each and 3,000,000 (Thirty Lakhs) Preference shares of Rs. 100/- each. Accordingly, the authorised share capital prevailing prior to the said resolution passed on September 28, 2015 has been shown in this note.

Foot notes

1 Preference shares:

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

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

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	**1,547,182**	**1,547.18**	2,376,746	2,376.75

c. During the financial year 2014-15 Company had issued and allotted 1,595,890 (Fifteen lakh ninety five thousand eight hundred and ninety) Compulsory Convertible Preference Shares ("CCPS") of ₹ 100/-(Rupees one hundred), to Mr. Vijay R Kirloskar (Promoter) by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% (zero point one per cent) per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise), (the rate of ₹ 30.44/- per equity share as approved in principle by the stock exchanges) in two tranches in accordance with the SEBI (ICDR) Regulations, 2009 as amended form time to time. Such issue and allotment of equity shares resultant on conversion of the preference shares will be made at such time or times as determined by the Board in such manner as the Board may in its absolute discretion think fit at the time of conversion. Accordingly 777,485 Preference shares were converted into 2,554,156 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise) as per the first tranche on February 11, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	**Percentage**	Number	Percentage
Vijay R Kirloskar	818,405	100.00	1,595,890	100.00

2 Equity shares:

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

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

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**₹ in Lakhs**	Number	₹ in Lakhs
(i)	Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipment Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. (Refer foot note 2.c. below).	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii)	Shares allotted during the year 2007-08 to the promoters group in terms of order September 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of The Companies Act, 1956.	**2,000,000**	**200.00**	2,000,000	200.00
(iii)	Shares allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.	**6,000,000**	**600.00**	6,000,000	600.00
(iv)	Shares allotted during the year 2014-15 to Vijay R Kirloskar at a premium of ₹ 20.44 per share	**2,658,200**	**265.82**	2,658,200	265.82
(v)	Shares allotted during the year 2015-16 to Vijay R Kirloskar at a premium of ₹ 20.44 per share by conversion of CCPS.	**2,554,156**	**255.42**	-	-

c The KECL Investment Trust had during the year, sold 6,174,878 equity shares of ₹ 10/- each of the Company for which the Company is the sole beneficiary in terms of scheme of arrangement approved by the honorable High Court of Karnataka under section 391-394 of the Companies Act 1956 in an earlier year. The resultant profit of ₹ 2,155.32 lakhs (net of STT, service tax, exchange transaction charges, SEBI transaction fees and stamp duty charges) is considered as an extraordinary item.

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

	Particulars	As at March 31, 2016		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Abhiman Trading Company Private Limited	**5,217,063**	**9.36%**	5,217,063	9.81%
(ii)	Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**7.64%**	4,257,682	8.01%
(iii)	KECL Investment Trust	**-**	**0.00%**	6,174,878	11.61%
(iv)	Mr. Vijay Ravindra Kirloskar	**9,125,625**	**16.37%**	6,571,469	12.36%
(v)	Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**5.50%**	3,064,094	5.76%
(vi)	Vijay Farms Private Limited	**3,540,807**	**6.35%**	3,540,807	6.66%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
8	**Reserves and surplus:**		
a)	**Capital reserve**		
	At the beginning of the year	**18.06**	2,039.35
	Adjustments during the year	-	(2,021.29)
	At the close of the year	**18.06**	18.06
b)	**Securities premium reserve**		
	At the beginning of the year	**543.34**	-
	Received during the year (refer foot note 1.c. to Note 7)	**522.07**	543.34
	At the close of the year	**1,065.41**	543.34
c)	**Capital redemption reserve**		
	At the beginning of the year	**2,401.75**	2,401.75
	At the close of the year	**2,401.75**	2,401.75
d)	**Debenture redemption reserve**		
	At the beginning of the year	-	494.00
	Transferred to Surplus	-	(494.00)
	At the close of the year	-	-
e)	**Revaluation reserve**		
	At the beginning of the year	**208.66**	480.41
	Tranferred to general reserve	-	(271.75)
	At the close of the year	**208.66**	208.66
f)	**Foreign Currency translation reserve**		
	At the beginning of the year	-	3,823.61
	Adjustments during the year	-	(3,823.61)
	At the close of the year	-	-
g)	**Capital Reserve on consolidation**	**54.78**	54.78
h)	**Reconstruction Reserve**		
	At the beginning of the year	**641.67**	641.67
	At the close of the year	**641.67**	641.67
i)	**Reserve for doubtful debts**		
	At the beginning of the year	**90.00**	90.00
	At the close of the year	**90.00**	90.00
J)	**General Reserve**		
	At the beginning of the year	-	-
	Transferred from Revalution reserve	-	271.75
	Transferred to statement of profit & loss	-	(271.75)
	At the close of the year	-	-
k)	**Surplus i.e. balance in statement of profit and loss**		
	At the beginning of the year	**(26,146.91)**	(2,812.06)
	Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets whose remaining useful life is Nil as on April 1, 2014	-	(68.87)
	Transferred from debenture redemption reserve	-	494.00
	Transferred from general reserve	-	271.75
	Transferred from Statement of Profit and Loss	**(3,948.57)**	(24,031.73)
	At the close of the year	**(30,095.48)**	(26,146.91)
	TOTAL CLOSING BALANCE	**(25,615.15)**	(22,188.65)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
9	**Long term borrowings:**		
	1) Secured loans:		
	Term Loan from a banks	**15,201.30**	7,101.45
		15,201.30	7,101.45
	Less:		
	Current maturities	**1,278.55**	-
		13,922.75	7,101.45
	2) Unsecured loans:		
	Fixed deposits	**2,746.70**	3,893.10
		2,746.70	3,893.10
	Less:		
	Current maturities	**2,185.00**	1,916.10
		561.70	1,977.00
3)	**Total long term borrowings (1+2)**	**14,484.45**	9,078.45
	Additional information:		
1)	**Details of security for secured loans:**		
	a. Working capital term loans and funded interest term loan from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans are guaranteed by the Executive Chairman of the Company.	**8,607.18**	3,601.45
	b. Term loan from Axis Bank is secured against first pari passu charge on current assets of Kelbuzz Trading Private Limited ("KTPL") and Equitable Mortgage of immovable properties held in the name of KTPL and guaranteed by the Executive Chairman of the Company and Corporate guarantee of the Company.	**4,005.81**	3,500.00
	c. Term loan from consortium banks is secured against first pari passu charge on entire current assets of SLPKG Estate Holdings Private Limited ("SEHPL") and Equitable Mortgage of immovable properties held by SEHPL and guaranteed by the Executive Chairman of the Company and Corporate Guarantee of the Company.	**2,588.31**	-
2)	**Terms of repayment of term loans and others**		
	a) From Bank:		
	i) Working Capital Term loans from consortium banks carry an interest of 11% (base rate of Bank of India plus 75 basis points) P.A and repayable in 96 equal monthly instalments starting from April 30, 2016.	**6,692.60**	2,886.00
	ii) Funded Interest Term loans from consortium banks carry an interest of 11% P.A (base rate of Bank of India plus 75 basis points) and repayable in 60 equal monthly instalments starting from April 30, 2016.	**1,914.58**	715.45
	iii) Loan taken by KTPL is repayable at the end of 30th month from the date of disbusement and carry an interest of 11.50% p.a.	**4,005.81**	3,500.00
	iv) Loan taken by SEHPL is repayable with in 36 months from the date of disbursement and carries an interest of 11% p.a.	**2,588.31**	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3) Unsecured Loans:

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

ii) Fixed deposits include ₹ 224.10 Lakhs (as at March 31, 2015 ₹ 18.10 Lakhs) matured and unclaimed.

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
10	**Deferred tax:**		
	i) Deferred tax liability:		
	a) On account of depreciation on fixed assets	**1,701.00**	1,864.82
	Total	**1,701.00**	1,864.82
	ii) Deferred tax asset:		
	a) On account of timing differences in recognition of expenditure	**1,525.09**	1,313.66
	b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to deferred tax liability)	**175.91**	551.16
	Total	**1,701.00**	1,864.82
	Net Deferred tax (liability)/asset	-	-
11	**Other Long term liabilities:**		
	Security deposits from suppliers, dealers etc	**1,481.57**	1,770.52
		1,481.57	1,770.52
12	**Long term provisions:**		
	Employee defined benefit plans (refer note 47)	**1,677.55**	1,547.44
		1,677.55	1,547.44
13	**Short term borrowings:**		
	1) Secured loans:		
	a) Loans repayable on demand		
	- from banks	**11,548.50**	11,968.41
	b) Loan against pledge of fixed deposit from bank	**13.87**	6.91
		11,562.37	11,975.32
	2) Unsecured loans:		
	a) Fixed deposits	**5.30**	7.10
	b) Inter corporate deposits	**2,854.42**	3,698.72
		2,859.72	3,705.82
	Total	**14,422.09**	15,681.14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
	Additional information:		
1)	**Details of security for secured loans:**		
	a) Working capital loans from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans carry an interest rate of 11% (base rate of Bank of India plus 75 basis points) per annum and also guaranteed by the Executive Chairman of the Company.	**8,578.68**	9,233.31
	b) Loan from a bank is secured against the equitable mortgage of certain immovable property of the Company, equitable mortgage of immovable properties of SKG Terra Promenade Private Limited, lien on fixed deposit amounting to ₹ 175 lakhs and guaranteed by the Executive chairman of the Company. Further it carry an interest of 13.85% p.a.	**2,716.95**	2,735.10
	c) Buyers Credit form the bank is secured against first pari passu charge on current assets as primary security, Equitable mortgage of certain immovable properties of the Company, pledge of 24,886,143 promoter's equity shares in the Company as at September 30, 2014 and also guaranteed by the Executive Chairman of the Company. Further it carry an interest linked to LIBOR as agreed from time to time with the bank.	**252.87**	-
	d) Against pledge of fixed deposits	**13.87**	6.91
2)	**Unsecured loans:**		
	a) Fixed deposits are taken for a period of 12 months with interest rate of 11.5%		
	b) Inter corporate deposits are taken for periods ranging between 90 to 360 days with interest rates averaging to 18% per annum.		
	c) Fixed deposits include ₹ 1.50 lakhs (as at March 31, 2015: ₹ 7.10 lakhs) matured unclaimed deposits.		
14	**Trade payables:**		
	a) Total outstanding dues of micro and small enterprises		
	Trade payables	**80.83**	73.43
		80.83	73.43
	b) Total outstanding dues of creditors other than micro and small enterprises		
	i) Trade payables	**11,823.15**	14,523.77
	ii) Acceptances	**6,463.19**	4,457.37
		18,286.34	18,981.14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional Information:

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

(₹ In lakhs)

Sl. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	Principal amount due and remaining unpaid	**80.83**	73.43
2	Interest due on (1) above and the unpaid interest	**13.81**	20.58
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**38.18**	104.48
5	Interest due and payable for the period of delay other than (3) above	**2.19**	20.58
6	Interest accrued and remaining unpaid	**16.00**	20.58
7	Amount of further interest remaining due and payable in succeeding years	**49.50**	33.50

15	**Other current liabilities:**			
	a)	Current maturities of fixed deposit	**2,185.00**	1,916.10
	b)	Current maturities of secured loan from bank	**1,278.55**	-
	c)	Interest accrued but not due on deposits	**324.86**	375.17
	d)	Statutory liabilities	**869.48**	705.63
	e)	Other liabilities	**4,029.98**	2,789.10
	f)	Trade advances	**1,190.90**	2,070.25
			9,878.77	7,856.25
16	**Short term provisions:**			
	a)	Short term compensated absences	**17.03**	17.11
	b)	Wage arrears	**747.79**	400.24
	c)	Warranty	**599.77**	597.90
	d)	Stamp duty	**-**	895.38
	e)	Taxation (net of advance tax outside India)	**7.70**	5.26
	f)	Contingencies	**1,578.14**	1,518.14
			2,950.43	3,434.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Fixed Assets:

(₹ In lakhs)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at April 1, 2015	Additions for the year	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2016	As at April 1, 2015	For the year	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Tangible Assets												
Own assets												
Land	930.47	-	-		930.47	-	-	-		-	930.47	930.47
Building (*)	5,046.20	151.56	-		5,197.76	1,768.65	189.11	-		1,957.76	3,240.00	3,277.55
Plant & equipment	14,301.09	130.41	350.08		14,081.42	10,902.54	631.41	333.59		11,200.36	2,881.06	3,398.55
Tools & Jigs	1,538.91	98.37	11.18		1,626.10	943.64	66.20	10.68		999.16	626.94	595.27
Electrical installations	206.76	0.88	51.43		156.21	130.91	22.13	51.43		101.61	54.60	75.85
Motor vehicles	376.71	164.76	26.54		514.93	311.90	45.32	21.98		335.24	179.69	64.81
Office equipments	119.14	69.66	0.95		187.85	67.02	38.66	0.65		105.03	82.82	52.12
Furniture & fittings	992.57	15.07	30.96		976.68	798.58	50.15	30.18		818.55	158.13	193.99
Leasehold improvements	313.35	-	-		313.35	75.22	10.47	-		85.69	227.66	238.13
Land ($)	68.70	-	-		68.70	-	-	-		-	68.70	68.70
Plant & machinery	1,033.39	-	-		1,033.39	1,033.39	-	-		1,033.39	-	-
	24,927.29	**630.71**	**471.14**	**-**	**25,086.86**	**16,031.85**	**1,053.45**	**448.51**	**-**	**16,636.79**	**8,450.07**	**8,895.44**
Intangible assets												
Goodwill	423.46	-	-		423.46	423.46	-	-		423.46	-	-
Computer software	558.61	14.40	-		573.01	471.32	48.14	-		519.46	53.55	87.29
Technical knowhow & product development	1,087.21	-	-		1,087.21	252.29	104.36	-		356.65	730.56	834.92
	2,069.28	**14.40**	**-**	**-**	**2,083.68**	**1,147.07**	**152.50**	**-**	**-**	**1,299.57**	**784.11**	**922.21**
Total	**26,996.57**	**645.11**	**471.14**	**-**	**27,170.54**	**17,178.92**	**1,205.95**	**448.51**	**-**	**17,936.36**	**9,234.18**	**9,817.65**
	(41,606.20)	(1,148.34)	(3,131.03)	(12,626.94)	(26,996.57)	(25,035.47)	(1,277.21)	(1,123.60)	(8,010.16)	(17,178.92)		

Additional information:

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

2) ($) Land taken on lease from KIADB aggregates to ₹ 68.70 lakhs. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the relevant title will pass to the Company.

3) Management has determined that there is no significant parts for assets whose useful life is different from that of the remaining useful life of the asset in terms of note 4 of Schedule II to the Companies Act, 2013. Accordingly, useful life of significant assets have been determined for the overall asset and not for its individual components.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
18	**Capital work in progress:**		
	i) Building under construction	**14.25**	165.78
		14.25	165.78

Details of investments	Name of the Company	As at March 31, 2016 No of shares	Face value	₹ In Lakhs	As at March 31, 2015 No of shares	Face value	₹ In Lakhs
19	**Non Current Investments:**						
a)	**Investments in equity Instruments:**						
	i) Associates: (Trade)						
	Fully paid up						
	Kirloskar (Malaysia) Sdn. Bhd.						
	Kuala Lumpur, Malaysia	**300,000**	**MR1**	**-**	300,000	MR1	-
	ii) Others						
	Fully paid up						
	ICICI Ltd (on merger of Sangli Bank Limited)	**5,405**	**2**	**1.00**	5,405	2	1.00
	The Mysore Kirloskar Ltd (refer note 3 below) -	**770,750**	**10**	**-**		770,750	10
	Kirloskar Proprietary Ltd	**26**	**100**	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.52**	1,272	K.Sh 1000	8.52
	Kirsons Trading Pte.Ltd	**56,250**	**SGD 1**	**11.20**	56,250	SGD 1	11.20
	Kirloskar Power Equipment Ltd	**340,000**	**10**	**59.09**	340,000	10	59.09
b)	**Investments in debentures or bonds**						
	i) Others						
	Fully paid up						
	The Mysore Kirloskar Ltd (refer note 3 below)	**30,000**	**44**	**-**	30,000	44	-
	Total			**81.09**			81.09

Additional Information:

1)	Aggregate value of quoted investments:		
	Cost	**1.00**	1.00
	Market Value	**12.79**	17.04
2)	Aggregate value of unquoted investments:		
	Cost	**80.09**	80.09

3) Securities in The Mysore Kirloskar Limited have been written off.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
20	**Long term loans and advances:**		
	(Unsecured and considered good)		
	i) Capital advances	**94.53**	421.40
	ii) Security deposits	**402.47**	435.06
	iii) Loans and advances to related parties	**280.00**	135.98
	iv) Disputed statutory liabilities/ taxes paid	**1,194.85**	1,071.85
		1,971.85	2,064.29
	Included in (iii) above an amount due from a private company in which a director of the Company is a director	**100.00**	100.00
21	**Other non current assets:**		
	(Unsecured and considered good)		
	i) Long term trade receivables	**148.26**	173.76
	ii) Advance payment of tax (net)	**302.24**	118.25
		450.50	292.01
22	**Inventories:**		
	i) Raw materials, stores and spares, components	**1,716.01**	988.17
	ii) Work in progress	**5,107.58**	6,803.90
	iii) Finished goods	**2,400.47**	1,053.94
	iv) Stores and spares	**525.93**	523.05
	v) Others (scrap stock)	**17.17**	24.63
	Stores and spares		
	Goods in transit:		
	i) Raw materials	**41.34**	-
	ii) Finished goods	**4.27**	2.39
		9,812.77	9,396.08
	Less: Provision for non-moving stocks	**55.94**	55.94
		9,756.83	9,340.14
23	**Trade receivables:**		
	i) Trade receivables exceeding six months	**8,011.86**	6,451.32
	ii) others	**9,413.10**	10,667.03
		17,424.96	17,118.35
	Less: Allowance for doubtful receivables	**592.17**	561.40
		16,832.79	16,556.95
Additional information:			
1)	Breakup of above:		
	i) Unsecured, considered good	**16,832.79**	16,556.95
	ii) Doubtful	**592.17**	561.40
	Total	**17,424.96**	17,118.35
	Less:		
	Allowance for doubtful receivables	**592.17**	561.40
		16,832.79	16,556.95
2)	Amount due by private companies in which directors of the Company are directors	**13.60**	8.48

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

	Particulars	As at March 31, 2016	As at March 31, 2015
24	**Cash and bank balances:**		
	a) Cash and cash equivalents:		
	i) Balances with banks		
	- in other accounts	**1,378.72**	1,056.60
	ii) Cash on hand	**11.59**	9.80
		1,390.31	1,066.40
	b) Other bank balances:		
	i) Balances with banks		
	- in short term deposits	**104.15**	104.31
	- in margin money, security for borrowings, guarantees and other commitments	**1,126.06**	840.13
		1,230.21	944.44
	Total (a + b)	**2,620.52**	2,010.84
25	**Short term loans and advances:**		
	i) Loans and advances to related parties (refer note 49)	**324.82**	341.91
	ii) Others	**1,626.25**	1,066.16
		1,951.07	1,408.07
	Less: Allowance for doubtful advances	**728.23**	376.23
		1,222.84	1,031.84
	Additional information:		
1)	Breakup of above:		
	i) Unsecured, considered good	**1,222.84**	1,031.84
	ii) Doubtful	**728.23**	376.23
	Total	**1,951.07**	1,408.07
	Less:		
	Allowance for doubtful advances	**728.23**	376.23
		1,222.84	1,031.84
2)	Amounts due by private companies in which directors of the Company are directors	**322.32**	336.45
26	**Other Current assets:**		
	i) Central excise receivable	**596.70**	452.01
	ii) VAT receivable	**1,133.24**	1,210.13
	iii) Assets held for sale	**793.09**	793.09
	iv) Receivables from Subsidiares	**-**	-
		2,523.03	2,455.23
	Less:		
	Provision for asset held for sale	**665.22**	665.22
		1,857.81	1,790.01

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
27 Contingent liabilities and commitments: (to the extent not provided for)		
a) Contingent liabilities:		
i) Claims against the Company not acknowledged as debts	**1,740.51**	1,568.89
ii) Guarantees	**2,879.21**	2,564.04
iii) Letters of credit	**8,239.20**	4,185.21
iv) Bills discounted with Bank	**1,207.81**	1,708.08
v) Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bengaluru quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of ₹ 46.18 lakhs paid has been included in disputed statutory dues and the Company is confident of receiving the refund from the PF authorities.	**Nil**	Nil
vi) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	**365.54**	303.20
vii) Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to ₹ 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to ₹ 399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of ₹ 658.88 lakhs (as at March 31, 2015 ₹ 643.46 lakhs) against the demand which has been included in disputed statutory dues.	**5,269.65**	5,182.06
viii) The Company has filed before the Honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company has paid an aggregate amount of ₹ 479.23 lakhs (as at March 31, 2015 ₹ 369.23 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 20.	**889.37**	889.37
ix) Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	**208.21**	219.10
x) Sales tax liabilities in respect of pending assessments - C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
xi) Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xii) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**0.90**	0.90
xiii) Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by the Company.	**1,370.49**	238.51

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
xiv) The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at March 31, 2015 ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal(DRAT) to set aside the orders passed by the DRT. The Company has deposited during the year ₹ 102.80 lakhs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. The Company does not acknowledge this liability.	**405.60**	405.60
xv) Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,164.66**	1,162.50
xvi) Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per Master Restructuring Agreement (MRA).	**514.00**	-

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums / settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable. However as a matter of abundant caution the Compay has recognised a provision for contingencies, to take care of any liabilities that may devolve, as detailed in Note 50.

b) Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**62.58**	113.65

(₹ In lakhs)

	Particulars	Current Year	Previous Year
28	**Revenue from operations:**		
	i) Sale of products		
	Motors, alternators and generators	**30,324.76**	28,106.64
	Transformers	**13,535.34**	16,245.27
	DG sets	**10,268.31**	5,171.07
	Others	**5,408.62**	5,128.68
	Total	**59,537.03**	54,651.66
	ii) Sale of services	**845.70**	775.36
		60,382.73	55,427.02
	Less:		
	Excise duty	**5,607.58**	4,392.38
		54,775.15	51,034.64
29	**Other income:**		
	i) Interest income	**95.02**	107.96
	ii) Dividend income from non current investments	**8.52**	6.78
	iii) Profit on sale of fixed assets (net)	**42.51**	-
	iv) Unclaimed credit balance written back	**149.39**	89.19
	iv) Rent received	**10.30**	24.68
	v) Miscellaneous income	**47.99**	1,071.45
		353.73	1,300.06

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars		Current Year	Previous Year
30	**Cost of materials consumed:**		
	Consumption of raw materials, components, stores and spare parts	**40,596.93**	30,048.89
		40,596.93	30,048.89
	Additional Information:		
	i) Copper (Wires, strips, rods, sheets etc)	**7,345.34**	8,194.30
	ii) Iron and steel (pigiron, rounds, plates, sheets , etc.,)	**7,867.56**	6,942.52
	iii) Stores and spares	**879.29**	1,027.44
	iv) Others	**24,504.74**	13,884.63
31	**Changes in inventories of finished goods, work in progress and stock in trade:**		
	Stocks at the end of the year		
	i) Work in progress		
	Motors, alternators and generators	**3,212.89**	5,309.29
	Transformers	**1,554.95**	965.59
	DG Sets	**284.49**	499.18
	Others	**55.25**	29.84
	Total	**5,107.58**	6,803.90
	ii) Finished goods		
	Motors, alternators and generators	**1,277.47**	826.65
	Transformers	**642.24**	123.81
	DG sets	**316.29**	17.38
	Others	**168.74**	88.49
	Total	**2,404.74**	1,056.33
	iii) Scrap	**17.17**	24.63
		7,529.49	7,884.86
	Less:		
	Stocks at the beginning of the year		
	i) Work in progress		
	Motors, alternators and generators	**5,309.29**	11,852.95
	Transformers	**965.59**	1,948.40
	DG sets	**499.18**	1,536.36
	Others	**29.84**	60.23
	Total	**6,803.90**	15,397.94
	ii) Finished goods		
	Motors, alternators and generators	**826.65**	1,862.88
	Transformers	**123.81**	1,004.67
	DG sets	**17.38**	29.50
	Others	**88.49**	180.22
	Total	**1,056.33**	3,077.27
	iii) Scrap	**24.63**	4.24
		7,884.86	18,479.45
		355.37	10,594.59

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars			Current Year		Previous Year
32	**Employee benefit expenses:**				
	i)	Salaries, wages and bonus	**6,079.10**		5,937.62
	ii)	Contribution to provident and other funds	**640.68**		683.85
	iii)	Staff welfare expenses	**797.68**		935.78
			7,517.46		7,557.25
33	**Finance costs:**				
	i)	Interest expense	**4,558.89**		4,219.48
	ii)	Other borrowing costs	**301.88**		327.17
			4,860.77		4,546.65
34	**Depreciation and amortization:**				
	i)	Depreciation	**1,053.45**		1,059.05
	ii)	Amortization of intangible assets	**152.50**		149.29
			1,205.95		1,208.34
35	**Other expenses:**				
	i)	Power and fuel	**798.64**		780.34
	ii)	Rent	**345.22**		380.14
	iii)	Repairs to buildings	**87.17**		77.72
	iv)	Repairs to machinery	**236.32**		182.52
	v)	Repairs to others	**331.31**		315.87
	vi)	Vehicle maintenance	**17.94**		29.04
	vii)	Insurance	**29.67**		37.28
	viii)	Rates and taxes	**276.52**		1,167.67
	ix)	Payment to auditors	**64.02**		88.70
	x)	Selling expenses	**1,529.82**		1,641.09
	xi)	Commission	**37.21**		72.27
	xii)	Warranty claims	**248.13**		441.25
	xiii)	Allowance for doubtful trade receivables	**30.77**		-
	xiv)	Allowance for doubtful loans and advances	**352.00**		44.08
	xv)	Net (gain)/loss on foreign currency transaction and translation	**35.19**		321.86
	xvi)	Bad trade receivables written off	**0.30**	1,496.36	
		Less: Allowance for doubtful trade receivable withdrawn		810.45	
				0.30	685.91
	xvii)	Irrecoverable loans and advances written off	-	29.96	
		Less: Allowance for doubtful loans and advances withdrawn	-	16.99	
				-	12.97
	xviii)	Loss on sale of fixed asset (net)		-	307.27
	xix)	Donations		**0.25**	2.20
	xx)	Legal and professional charges		**452.94**	590.55
	xxi)	Travelling		**534.90**	564.31
	xxii)	Printing and stationary		**50.99**	62.58
	xxiii)	Postage, telgrams and telephones		**127.73**	158.66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ In lakhs)

Particulars		Current Year	Previous Year
xxiv)	Directors sitting fees	**12.90**	13.65
xxv)	Provision for assets held for sale	**-**	598.50
xxvi)	Provision for contingencies	**60.00**	1,518.14
xxvii)	Miscellaneous expenses	**1,036.21**	792.51
		6,696.15	10,887.08
36	**Extraordinary/ Exceptional item:**		
i)	Sale of equity shares held by KECL Investment Trust, [refer note 7 footnote (2(c)]	**2,155.18**	-
ii)	Loss of control in the subsidiary (refer foot note 3 to note 6)	**-**	11,501.35
		2,155.18	11,501.35
37	**Additional Information: (relating to India operations)**		
a)	Value of Imports calculated on CIF basis:		
i)	Raw Materials, Components and spare parts	**417.35**	387.40
ii)	Capital goods	**13.78**	9.53
b)	Expenditure in foreign currency: (net of withholding tax)		
i)	Professional, consultancy and other fees	**84.45**	35.24
ii)	Travel	**82.44**	99.94

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	**455.67**	**1.12%**	358.64	1.03%
ii)	Value of indigenous raw materials, spare parts and components consumed	**40,141.26**	**98.88%**	34,545.06	98.97%
		40,596.93	**100%**	34,903.70	100%

d)	Details of non-resident shareholdings		
i)	Number of nonresident share holders	**414**	388
ii)	Number of shares held by nonresident shareholders	**2,323,244**	2,208,728
e)	Earnings in foreign exchange:		
i)	Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	**3,887.24**	4,336.83
ii)	Dividends received	**8.52**	6.52
iii)	Remittances from overseas offices (Net)	**902.45**	289.42
38	**Earnings per share:**		
(i)	Basic and diluted before exceptional item		
	Loss for the year after tax expense	**3,948.57**	24,031.73
	Less:		
	Exceptional item	**(2,155.18)**	11,501.35
		6,103.75	12,530.38
	Weighted average number of equity shares	**53,528,495**	50,565,063
	Loss per share	**11.40**	24.78
(ii)	Basic and diluted after exceptional item		
	Loss for the year after tax expense	**3,948.57**	24,031.73
	Weighted average number of equity shares	**53,528,495**	50,565,063
	Loss per share	**7.38**	47.53

The effect of potential equity shares are antidilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 (a) The order of the honorable High Court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of the operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

(b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the honorable High Court of Karnataka.

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

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

41 Confirmation of balances from customers are awaited in certain cases. Accounts with certain parties are under review and reconciliation. Provision has been made to the extent required and further adjustments if any, will be made on completion of review/ reconciliation. The debts exceeding two years and considered good of recovery by the management is estimated at ₹ 4,601 lakhs.

42 The customers of the Company have deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made/will make representations to such customers explaining reasons for delays as well as impress upon them that the same were caused by various factors including those not attributable to it and as such being beyond its control. The Company has made necessary provision on an overeall assessment of the likely loss where in its opinion waiver is not likely. The Company is confident that its representations will be accepted by customers and liquidated damages and other charges deducted will be waived. Impact, if any, on the financial statements will not be material.

43 Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis. The management has also formed a task force for liquidation of slow/ non moving inventories in respect of which provision for inventories has been estimated and made. Any further adjustments required to the financial statements if any, is not expected to be material.

44 Machinery purchased in prior years but currently held for sale for the past several years have been recognized at realizable value estimated by the management. Such value is consistent with quotations received from prospective buyers after considering the provision made and any shortfall in realisability is not expected to be material.

45 Current assets, loans and advances include ₹ 268.17 Lakhs (as at March 31, 2015 ₹ 268.17 Lakhs) being rescheduled advances from certain companies in which certain key managerial personnel are interested. The Company is confident that these companies will fulfill their obligations and has considered these amounts as good of recovery.

46 During the previous year, the shareholders of the Company at the Annual General Meeting held on September 30, 2013 have approved an Employee Stock Option Scheme. However, the Company had not issued any options as at March 31, 2016 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

47 DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":

(a) **Defined Contribution Plan:**

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

Particulars		(₹ in Lakhs)
	Current Year	Previous Year
Employer's contribution to provident & pension funds	**335.20**	354.54
Employer's contribution to superannuation fund	**45.44**	105.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Defined Benefit Plan:

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

(₹ In lakhs)

1 Reconciliation of opening and closing balances of defined benefit obligation:	**As at March 31, 2016**		As at March 31, 2015	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
Defined Benefit obligation at beginning of the year	2,490.09	529.10	2,489.47	478.30
Current Service Cost (*)	112.38	36.38	123.51	42.62
Interest Cost	184.64	41.80	200.91	44.24
Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	-164.51	-
Actuarial (gain)/ loss	12.60	10.54	150.96	(36.06)
Benefits Paid	(366.62)	(132.78)	(310.25)	
Defined Benefit obligation at end of the year	2,437.49	485.04	2,490.09	529.10
2 Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	1,310.95	160.80	1,469.03	147.52
Expected return on plan assets	103.57	12.70	138.09	12.02
Employer Contribution	16.89	-	34.66	-
Benefits paid	(366.62)	-	(310.25)	-
Actuarial gain/(loss)	(11.07)	0.73	(20.58)	1.26
Fair value of plan assets at year end	1,053.72	174.23	1,310.95	160.80
3 Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	1,053.72	174.23	1,310.95	160.80
Present value of obligation	2,437.49	485.04	2,490.09	529.10
Amount recognized in Balance Sheet under liabilities:	1,383.77	310.81	1,179.14	368.30
4 **Expense recognized during the year:** (under "Note 32" Employee Benefit Expenses" in the Statement of Profit and Loss)	**Current Year**		Previous Year	
Current Service Cost	112.38	36.38	123.51	42.62
Interest Cost	184.64	41.80	200.91	44.24
Expected return on plan assets	(103.57)	(12.70)	(138.09)	(12.02)
Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	-164.51	-
Actuarial (gain)/ loss	23.67	9.81	171.54	(37.32)
Net Cost	221.52	75.28	193.36	37.52
5 Actuarial assumptions:	**As at March 31, 2016**		As at March 31, 2015	
Mortality Table	**Indian Assured Lives (2006 -08) (Ultimate)**		Indian Assured Lives (2006 -08) (Ultimate)	
Discount rate (per annum)	7.99%	7.99%	7.90%	7.90%
Expected rate of return on plan assets (per annum)	7.99%	7.99%	7.90%	7.90%
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

(*) Leave provision for current year includes provision for short term compensated absence as assessed by the actuary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6	Experience Adjustment:	2015-16	2014-15	2013-14	2012-13	2011-12
	Defined benefit obligation at the end of the year	(2,437.49)	(2,490.09)	(2,489.47)	(2,707.63)	(2,383.95)
	Plan assets at the end of the year	1,053.72	1,310.95	1,469.03	1,764.41	1,669.97
	Funded Status	(1,383.77)	(1,179.14)	(1,020.44)	(943.22)	(713.98)
	Experience Gain/(Loss) adjustments on plan liabilities	(24.27)	23.38	62.47	198.12	59.55
	Experience Gain/(Loss) adjustments on plan assets	(11.07)	(20.58)	(10.38)	(9.22)	(5.48)
	Actuarial Gain/(Loss) due to change on assumptions	11.67	(174.33)	(164.81)	79.31	70.97

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.

48 SEGMENT REPORTING:

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

(₹ In lakhs)

Sl No.	Particulars	Primary Segment			
		Power generation and distribution	Rotating machines group	Others	Total
1	**Segment Revenues**				
	External Revenues	**24,619.64** (22,779.62)	**27,288.91** (25,612.62)	**2,866.60** (2,642.76)	**54,775.15** (51,035.00)
	Intersegment revenues	**521.44** (93.72)	**1803.95** (998.08)	**8.51** (14.82)	**2,333.90** (1,106.62)
	Total Revenues	**25,141.08** (22,873.34)	**29,092.86** (26,610.70)	**2,875.11** (2,657.58)	**57,109.05** (52,141.62)
2	**Segment Results: Profit/(Loss) Before Taxation and Interest**	**958.62** (185.00)	**1,068.23** (-1,113.00)	**782.30** (736.00)	**2,809.15** (-192.00)
	Less: Interest				4,860.77 **(4,546.65)**
	Less: Depreciation and amortizations				**1,205.95** (1,208.34)
3	**Unallocable Expenditure**				**2,846.18** (19,356.95)
4	**Unallocable and Other Income (including Extraordinary items)**				**2,155.18** **(1,300.06)**
5	**Less: Tax expense**				**-** -
6	**Share of Profits/(losses) in the Associates (net)**				**-** (-27.85)
7	**Minority interest - share of losses**				**-** -
	Total Profit/(Loss)				**(3,948.57)** (-24,031.73)
8	**Segment Assets**	**14,987.96** (9,897.32)	**18,967.18** (4,386.95)	**-1,581.54** (11,605.64)	**32,373.60** (25,889.91)
9	**Unallocable Assets**				**11,669.06** (17,260.69)
10	**Segment Liabilities**	**12,132.35** (10,400.72)	**10,932.82** (12,019.06)	**739.89** (847.41)	**23,805.06** (23,267.19)
11	**Unallocable Liabilities**				**39,456.97** (35,158.21)
12	**Capital Expenditure**	(325.53)	(148.90)	(1.88)	**-** (476.31)
13	**Unallocated capital expenditure**				**645.11** (672.03)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ii) Geographical Segment:

Particulars	Segment revenue by geographical market	
	Current Year	Previous Year
Sales in India	**53,834.36**	50,608.96
Sales outside India	**940.79**	425.68
Total	**54,775.15**	51,034.64

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

	Carrying amounts of segment assets		Additions to fixed assets & intangilbe assets	
	As at March 31, 2016	As at March 31, 2015	Current Year	Previous Year
Located in India	**42,668.42**	**41,312.82**	645.11	209.06
Located outside India	**1,374.24**	**1,837.7**8	-	939.28
Total	**44,042.66**	**43,150.60**	645.11	1,148.34

49 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Vinayak Narayan Bapat Mr. Soumendra Mahapatra (from June 30, 2015) Mr. Chinmoy Pattnaik (from November 28, 2015) Mr. Anand B Hunnur Ms. K S Swapnalatha (upto June 30, 2015) Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives (“KMP”)
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
3	Senapathy Whiteley Private Limited. (upto November 5, 2015) Senapathy Symons Insulation Pvt Ltd. (upto November 5, 2015) Transport Corporation of India Maini Material Movement Private Limited Best Trading & Agencies Limited (upto November 28, 2014) Bangalore Motors Private Limited Batliboi Limited Bhagyanagar India Limited Bhoruka Agro Business Private Limited Bhoruka Cogen Power Private Limited Bhoruka Park Private Limited Bhoruka Power Corporation Limited Bhoruka Power Investments India Private Limited Bhoruka Steel And Services Limited Bhuruka Gases Investments India Private Limited Bhuruka Gases Limited	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
	Crest Construction Private Limited Edutech Nttf India Private Limited Fish-N-Chips Hotels Private Limited Gove Finance Limited Hotel Pearls Private Limited Indian Electrical And Electronics Manufacturers Association Janaadhar (India) Private Limited Jubilant Life Sciences Limited Karnataka Coffee Brokers Private Limited Keasirobicon Industrial Systems Private Limited Kirloskar Power Build Gears Limited Lakshmi Ring Travellers (Coimbatore) Limited Mitsubishi Heavy Industries-Vst Diesel Engines Private Limited MRF Limited NCL Industries Ltd Nettur Technical Training Foundation Parinaam Foundation Pearls Estates Private Limited Pepper Ridge Bio-Solutions Llp Pharmed Limited Pinnae Feeds Limited Prabhu Structures Holdings Private Limited Prabhu Structures Investment India Private Limited Quippo Infrastructure Equipment Limited Reliance Industries Limited Servion T Global Solutions Limited Shahapur Power Limited Sporturf Construction (India) Private Limited Sri Vijayadurga Investments And Agencies Private Limited Sundaram -Clayton Limited TCI Industries Limited Teleradiology Solutions Private Limited The Waterbase Limited V P Mahendra Brothers Investments Private Limited V.S.T. & Sons Private Limited V.S.T.Auto Ancilleries Private Limited V.S.T.Auto Parts Private Limited V.S.T.Motors Private Limited VST Holdings Private Limited VST Tillers Tractors Limited Lakshmanan Isola Private Limited (upto November 5, 2015)	Enterprises which are related parties as per section 2(76) of the Companies Act, 2013. (“Others-A”)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
4	Kirloskar Batteries Private Limited	Enterprises over which key management personnel and their relatives are able to exercise significant influence ("Others-B")
	Kirloskar Power Equipment Limited	
	Ravindu Motors Private Limited	
	Vijay Farms Private Limited	
	Kirloskar Electric Charitable Trust	
	Sri Vijaydurga Investments and Agencies Private Limited	
	Vijayjyothi Investment and Agencies Private Limited	
	Abhiman Trading Company Private Limited	
	Vimraj Investment Private Limited	
	Vijay Kirthi Investment and Agencies Private Limited	
	Kirloskar Software Services	
	KEC Executives & Others Officers Welfare Trust	
	KEC Officers & Engineers Welfare Trust	
	KEC Vice Presidents Welfare Trust	
	KEC Engineers of Mysore Unit Welfare Trust	

(b) Transactions with the related parties (₹ In lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others B	**45.43**	35.85
Sri Vijayadurga Investments and Agencies Private Limited		**93.32**	93.64
Ravindu Motors Private Limited		**1.78**	1.25
Abhiman Trading Company Private Limited		**90.22**	104.28
Kirloskar electric Charitable Trust		-	5.17
Lakshmanan Isola Private Limited	Others A	**34.45**	56.06
Senapathy Whitley Private Limited		**0.32**	-
Transport Corporation of India		**141.65**	299.07
Sale of goods and services:			
Kirloskar (Malaysia) Sdn. Bhd	Associates	**148.43**	413.37
Ravindu Motors Private Limited	Others B	**7.63**	-
Senapathy Whitley Private Limited		**1.50**	
Kirloskar Electric Charitable Trust		-	0.38
Rent paid			
Kirloskar Power Equipment Limited	Others B	**45.05**	60.00
Vijayjyothi Investments and Agencies Private Limited		**78.39**	78.00
Remuneration paid:			
Vijay R Kirloskar*	KMP	**106.68**	214.82
Vinayak Narayan Bapat*		**73.01**	50.09
Anand B Hunnur*		**45.70**	21.95
Alok Kumar Gupta*		-	5.00
Janaki Kirloskar *		**2.02**	3.57
Rukmini Kirloskar *		**5.86**	5.98
K S Swapnalatha *		**5.99**	20.72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Transactions with the related parties (₹ In lakhs)

Particulars	Relationship	Current Year	Previous Year
Soumendra Mahapatra*		**23.75**	-
Chinmoy Pattnaik*		**8.70**	-
Meena Kirloskar (Sitting Fees)		**1.50**	1.35
Interest paid			
Vijay R Kirloskar	KMP	-	2.86
Vijayjyothi Investments and Agencies Private Limited	Others B	-	8.21
KEC Executives & Others Officers Welfare Trust		-	0.20
KEC Officers & Engineers Welfare Trust		-	0.20
KEC Vice Presidents Welfare Trust		-	0.26
KEC Engineers of Mysore Unit Welfare Trust		-	0.06
Issue of Shares to Vijay R Kirloskar			
Issue of equity shares	KMP	**255.42**	265.82
Share premium		**522.07**	543.34
Issue of CCPS		-	1,595.89
Redeption of CCPS		**777.49**	-
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP		100.00
KEC Executives & Others Officers Welfare Trust	Others B	-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
KEC Engineers of Mysore Unit Welfare Trust		-	5.00
Inter company deposit accepted:			
Best Trading & Agencies Limited	Others A	-	2,222.00
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others B	-	74.20
Best Trading & Agencies Limited	Others A	-	345.00
Interest paid:			
Best Trading & Agencies Limited	Others A	-	24.91
Sale of fixed asset:			
Ravindu Motors Private Limited	Others B	-	305.59

* Remuneration paid excludes accrued gratuity, compensated absence (since liability has been recognized for the Company as a whole) free use of company car and communication facilities

(c) Outstanding balances at the end of the year: (₹ In lakhs)

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due to Company:			
Kirloskar (Malaysia) Sdn. Bhd	Associate	**151.29**	-
Kirloskar Power Equipment Limited	Others B	**180.00**	180.00
Vijay Farms Private Limited		**192.64**	192.36
Sri Vijayadurga Investments and Agencies Private Limited		**19.20**	33.46
Vijayjyothi Investments and Agencies Private Limited		**111.51**	111.51
Ravindu Motors Private Limited		**0.14**	0.14
Maini Materials Movements Private Limited		**11.95**	-
Transport Corporation of India		**0.24**	-
Abhiman Trading Company Private Limited		**98.97**	98.97
Kirloskar Batteries Private Limited		**7.96**	5.46

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Outstanding balances at the end of the year: (₹ In lakhs)

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due from Company:			
Kirloskar Batteries Private Limited	Others B	**14.36**	11.86
Kirloskar Electric Charitable Trust		-	5.00
Kirlokar Power Equipment Limited		**203.26**	162.91
Vijay Farms Private Limited		**5.68**	7.51
Vijayjyothi Investments and Agencies Private Limited		**108.34**	66.89
Abhiman Trading Company Private Limited		**26.63**	28.95
Sri Vijayadurga Investments and Agencies Private Limited		**10.34**	20.17
Ravindu Motors Private Limited		**0.14**	0.81
Senapathy Whitley Private Limited	Others A	-	94.59
Lakshmanan Isola Private Limited		-	18.28
Transport Corporation of India		**71.07**	98.11
Guarantees given for the loans taken by the Company and outstanding at the end of the year:			
Vijay R Kirloskar	KMP	**26,749.80**	19,069.86

50 OPERATING LEASE:

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 ₹ 345.22 Lakhs (Previous Year ₹ 380.14 Lakhs).

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

(₹ in Lakhs)

Sl. No.	Particluars	Wage Arrears	Contingencies	Short Term Compensated Absences	Stamp Duty	Warranty Claims
1	Balance outstanding at the beginning of the year	**458.85** (245.02)	**1,518.14** (186.41)	**17.11** (18.61)	**895.38** (110.40)	**597.90** (843.75)
2	Provision for the year (net)	**288.94** (213.83)	**60.00** (1,331.73)	**(0.08)** (-1.50)	**(895.38)** (784.98)	**1.87** (-245.85)
3	Balance outstanding at the end of the year	**747.79** (458.85)	**1,578.14** (1,518.14)	**17.03** (17.11)	**-** (895.38)	**599.77** (597.90)

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abudant caution an estimated provision as been made for contigencies as held in respect of ongoing litigations as detailed in note 27 and certain probable liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

52 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2016 are as under:

Particulars	As at March 31, 2016		As at March 31, 2015	
	FCY	₹ in Lakhs	FCY	₹ in Lakhs
Assets (Receivables)	**USD 1,099,052.72** **EUR 127,343.76** **AED -**	**822.38**	USD 1,011,349.97 EUR 127,676.45 AED 8,993.58 GBP 4,857.00	725.06
Liabilities (Payables)	**USD 664,837.88** **EUR 248,883.96** **AED 47,348.58**	**638.03**	USD 814,644.05 EUR 284,419.87 AED 363,283.72	766.07

53 The net worth of the Group has been completely eroded. The Group has initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Group on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

54 The Company during the previous year restructured its loans under Joint Lenders Forum mechanism ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 would be converted into Funded Interest Term Loan. Consequently the joint deed and other documentation was duly completed as permitted in the extant guidelines of the JLF mechanism. A Master Restructuring Agreement ("MRA") has been entered by the Company and its Lenders, Bank of India" being the lead bank on June 30, 2015. In pursuance of the MRA the Company has executed other supplementary agreements including Trust and Retention Agreement ("TRA"). The agreements contain various terms and conditions in respect of the facilities sanctioned to the Company including setting up and reporting to the Monitoring Committee. The lenders shall have the right to convert at its option the whole of the outstanding amount of the facilities and / or part thereof into fully paid up equity shares of the Company in the manner specified in the notice in writing to be given by the Lenders to the Company ("Notice of Conversion") prior to the date on which the conversion is to take effect, which date shall be specified in the notice ("Date of Conversion"). The said shares shall rank parri-passu with the existing equity shares of the Company.

55 The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the parent company) and confirmed by the honorable High Court of Karnataka. The Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect.

56 The Income Tax Act, 1961 contains provisions for determination of arm's length price for international transactions between the Company and its associated enterprises as well as in respect of certain specified domestic transactions. The regulations envisage taxation of transactions which are not in consonance with the arms length price so determined, maintenance of prescribed documents and information including furnishing of a report from an accountant before the due date for filing the return of income. For the year ended March 31, 2016, the Company is in the process of complying with the said regulations. Management believes that such transactions have been concluded on an arm's length basis and there would be no additional tax liability for the financial year under consideration as a result of such transactions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

58 Additional information, as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as subsidiary or associates:

Name of the Enterprise	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (₹ in Lakhs)	As % of consolidated Profit or Loss	Amount (₹ in Lakhs)
Parent				
Kirloskar Electric Company Limited	70.69%	(13,589.53)	80.11%	(3,163.29)
Subsidiaries				
Indian				
1 Kelbuzz Trading Private Limited	20.82%	(4,003.01)	10.88%	(429.57)
2 SLPKG Estates Holdings Private Limited	13.42%	(2,578.85)	6.22%	(245.51)
3 Luxquisite Parkland Private Limited	-0.01%	1.87	0.25%	(10.02)
4 SKG Terra Promenade Private Limited	-0.01%	1.55	0.15%	(5.94)
5 Swaki Habitat Private Limited	0.00%	0.91	0.01%	(0.22)
6 Kesvik Developers Private Limited	0.00%	0.91	0.01%	(0.22)
Foreign				
Kirsons B.V.	-4.93%	946.78	2.38%	(93.80)
Minority Interest in all subsidiaries	0.02%	(4.00)	0.00%	-
Associates (Investments as per the equity method)				
Kirloskar (Malaysia) Sdn. Bhd.	0.00%	-	0.00%	-

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number : 002878S/S200021

CA. C.R. Deepak
Partner
Membership No. : 215318

Place : Bengaluru
Date : May 25, 2016

For and on behalf of the Board of Directors of Kirloskar Electric Company Limited

Vijay R Kirloskar
Executive Chairman
DIN : 00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN : 06936639

Kamlesh Gandhi
Director
DIN : 00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal
& Company Secretary

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KELBUZZ TRADING PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. Kelbuzz Trading Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to the included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

Attention is invited to Note 18. a to the financial statements regarding the trade receivables above 2 years, considered good by management is estimated at ₹ 34,99,02,881for which we are unable to explain an independent opinion on the same.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, subject to the matters described in the Basis of Qualified Opinion, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order

2. As required under Section 143(3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

   c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

   d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

   f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

      i. The Company does not have pending litigations, which would impact its financial statements

      ii. The company did not have any long term contracts and has not entered into any derivative contacts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF KELBUZZ TRADING PRIVATE LIMITED, BENGALURU

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable
2) a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
   b) In our opinion and to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
   c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable
4) In accordance to the information provided and explanations given to us, the company has not granted loan, made investment, provided any guarantee or security hence comments required under clause 3(iv) has not been made here.
5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.
6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.
7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it to with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.
   b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.
8) According to the records of the company and according to the information and explanations provided to us, the company has not defaulted in repayment of dues to the bank.
9) According to the records of the company and according to the information and explanations provided to us, the company has applied the proceeds of the term loans obtained by it for the purpose for which it was obtained.
10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.
11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.
12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.
13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.
14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has made private placement of preference shares, the procedure for such issue of shares have been found to be compliant with section 42 of the Act. The proceeds of the issue have found to have been utilized for the purpose for which the funds were raised by the company.
15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.
16) The company is not required to be registered under section 45-IA of the RBI Act, of 1934, hence the clause 3(xvi) of the Order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹	As at March 31, 2015 ₹	₹
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	**40,555,000**		40,455,000	
(b) Reserves and surplus	4	**(55,656,434)**		(12,699,267)	
			(15,101,434)		27,755,733
(2) Non - current liabilities					
(a) Long term borrowings	5	**400,580,746**		350,000,000	
(b) Other long term liabilities	6	**508,800,000**		158,800,000	
			909,380,746		508,800,000
(3) Current liabilities					
(a) Other current liabilities	7	**67,796,801**		436,894,345	
(b) Short term provisions	8	-		29,938,250	
			67,796,801		466,832,595
TOTAL			**962,076,113**		1,003,388,328
II. ASSETS					
(1) Non - current assets					
(a) Assets held for sale	9	**545,592,994**		543,677,844	
(b) Other non - current assets	10	**416,157,781**		459,607,514	
			961,750,775		1,003,285,358
(2) Current assets					
(a) Cash and cash equivalents	11	**325,338**		102,970	
			325,338		102,970
TOTAL			**962,076,113**		1,003,388,328
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 15 to 18				

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kelbuzz Trading Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current Year ₹	Previous Year ₹
I	**Expenses**			
	Finance costs	12	**42,383,783**	10,280,022
	Other expenses	13	**573,384**	2,419,245
	Total expenses		**42,957,167**	12,699,267
II	**Loss for the period**		**42,957,167**	12,699,267
III	**Earning per equity share:**	14		
	Basic & diluted		**(10.62)**	(157.56)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 15 to 18		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kelbuzz Trading Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year ₹	₹	Previous Period ₹	₹
Cash flows from operating activities				
Loss before taxation		**(42,957,167)**		(12,699,267)
Adjustments for:				
Diminution in value of the asset	-		827,616	
Provisions (net)	-		38,250	
Finance costs	**42,383,783**		10,280,022	
		42,383,783		11,145,888
		(573,384)		(1,553,379)
(Increase)/ decrease in other non current assets	**43,449,733**		(350,000,000)	
(Increase)/ decrease in assets held for sale	**(1,915,150)**		(281,237,000)	
Increase/ (decrease) in trade payables and other current liabilities	**(49,035,794)**		286,402,314	
		(7,501,211)		(344,834,686)
Net cash from operating activities		**(8,074,595)**		(346,388,065)
Cash flows from financing activities				
Proceeds from issue of share capital	**100,000**		100,000	
Proceeds from long term borrowings	**50,580,746**		350,000,000	
Finance costs	**(42,383,783)**		(3,608,965)	
Net cash from financing activities		**8,296,963**		346,491,035
Net increase/(decrease) in cash and cash equivalents		**222,368**		102,970
Cash and cash equivalents at beginning of the period		**102,970**		-
Cash and cash equivalents at end of the period		**325,338**		102,970

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kelbuzz Trading Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

Kelbuzz Trading Private Limited ("the Company") was incorporated on December 5, 2014 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results to could differ due to changes in these estimates and the difference between the actual result and the estimate are recognised in the period in which the results are known / materialise.

2.3 ASSETS HELD FOR SALE:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

b. 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.

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	₹	Number	₹
3 Share capital:				
Authorized:				
Equity shares of ₹ 10/- each	**7,090,000**	**70,900,000**	4,046,000	40,460,000
Preference shares of ₹ 10/- each	**10,000**	**100,000**	-	-
		71,000,000		40,460,000
Issued, subscribed and fully paid up:				
Preference shares of ₹ 10 /- each				
At the beginning of the reporting period	-	-	-	-
Issued during the reporting period	**10,000**	**100,000**	-	-
Redeemed during the reporting period	-		-	-
At the close of the reporting period	**10,000**	**100,000**	-	-
Equity shares of ₹ 10/- each				
At the beginning of the period	**4,045,500**	**40,455,000**	-	-
Issued during the reporting period	-	-	4,045,500	40,455,000
At the close of the period	**4,045,500**	**40,455,000**	4,045,500	40,455,000
Total		**40,555,000**		40,455,000

NOTES TO FINANCIAL STATEMENTS

Other Information:

1 Preference shares:

a. The Company has issued non cumulative preference shares of ₹ 10/- each. The preference shareholders do not have voting rights.

b. Preference shares carry a dividend of 0.1%.

c. Preference shares shall be redeemed after 10 years from the date of allotment.

	d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Best Trading Private Limited	**10,000**	**100%**	-	0%

2 Equity shares:

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

	b. Equity Shares of Rs.10/- each includes:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to Kirloskar Electric Company Limited as fully paid.	**4,045,500**	**40,455,000**	4,045,500	40,455,000

	d. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
	Kirloskar Electric Company Limited (holding Company)	**4,045,499**	**100%**	4,045,499	100%

Particulars	**As at March 31, 2016** ₹	As at March 31, 2015 ₹
4 Reserves and surplus:		
Surplus i.e. balance in statement of profit and loss		
At the beginning of the period	**(12,699,267)**	-
Transferred from statement of profit and loss	**(42,957,167)**	(12,699,267)
At the close of the period	**(55,656,434)**	(12,699,267)
TOTAL CLOSING BALANCE	**(55,656,434)**	(12,699,267)
5 Long term borrowings		
1) Secured loans:		
Term loan from Bank	**400,580,746**	350,000,000
	400,580,746	350,000,000
Less:		
Current maturities	-	-
	400,580,746	350,000,000

Additional Information:

1) Details of security for secured loans:

a. First charge on the entire current assets present and future including stocks, receivables etc.

b. Collateral security by way of Equitable Mortgage of property at Bhandarkar Road, Pune and at Mysore.

2) Terms of repayment of term loans and others

Loan is repayable at the end of 30th Month from the date of first disbursement

3) Rate of Interest

Loan carrry an interest rate of Base Rate+1.5% (Currently 11.50%) payable monthly.

4) Loans guaranteed by directors or others:

Loan is guranteed by the Holding Company and Mr. Vijay R Kirloskar

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2016 ₹	As at March 31, 2015 ₹
6	**Other long term liabilities:**		
	Amount due to holding company	**508,800,000**	158,800,000
		508,800,000	158,800,000
7	**Other current liabilities:**		
	i) Interest accrued and due on borrowings	-	6,671,057
	ii) Amount due to holding company	**67,751,461**	429,495,198
	iii) Statutory liabilities	-	700,000
	iv) Other liabilities	**45,340**	28,090
		67,796,801	436,894,345
8	**Short term provisions:**		
	Towards stamp duty	-	29,938,250
		-	29,938,250
9	**Assets Held for Sale:**		
	i) Land & Building	**541,852,150**	539,937,000
	ii) Materials	**4,568,460**	4,568,460
		546,420,610	544,505,460
	Less:		
	Diminution in the value of the asset	**827,616**	827,616
		545,592,994	543,677,844
10	**Other Non - Current assets:**		
	i) Other receivables	**416,157,781**	459,607,514
		416,157,781	459,607,514
	Less:		
	Provision doubtful receivables	-	-
		416,157,781	459,607,514
11	**Cash and cash equivalents:**		
	i) Balances with banks		
	- in other accounts	**325,338**	102,970
	Total	**325,338**	102,970
12	**Finance costs:**		
	Interest expense	**42,383,783**	10,280,022
		42,383,783	10,280,022
13	**Other expenses:**		
	i) Rates and taxes	**507,944**	1,549,474
	ii) Payment to auditors - as auditor	**17,250**	28,090
	iii) Professional charges	**8,308**	14,000
	iv) Provision for the diminution in the value of the asset	-	827,616
	v) Miscellaneous expenses	-	65
	vi) Bank charges	**32,991**	-
	vii) Advertisement expenses	**6,892**	-
		573,384	2,419,245
14	**Earnings per share:**		
	(Basic and diluted)		
	Loss for the year after tax expense	**42,957,167**	12,699,267
	Weighted average number of equity shares	**4,045,500**	80,599
	Loss per share	**10.62**	157.56

15 SEGMENT REPORTING:

The Company is a SPV engaged in the realisation of fixed and current assets transferred from its holding company. Since the Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

NOTES TO FINANCIAL STATEMENTS

16 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Pralhad P Katti	
4	P. Prakash (appointed w.e.f.June 30, 2015)	
5	Vikas Kumar Gandhi (appointed w.e.f. June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

(b) Transactions with the related parties: **Amount in ₹**

Particulars	Relationship	Current Year	Previous Year
Issue of Equity shares			
Kirloskar Electric Company Limited	Holding Company	-	40,454,990
Purchase of Goods or services			
Kirloskar Electric Company Limited	Holding Company	-	4,568,460
Purchase of Assets held for sale			
Kirloskar Electric Company Limited	Holding Company	-	508,800,000
Puchase of receivables			
Kirloskar Electric Company Limited	Holding Company	-	475,968,982
Reimbrusement of expenses:			
Kirloskar Electric Company Limited	Holding Company	**31,005,997**	6,374,224

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due from Company:			
Kirloskar Electric Company Limited	Holding Company	**576,551,461**	588,295,198
Guarantees given for the loans taken by the Company and outstanding at the end of the year by:			
Kirloskar Electric Company Limited	Holding Company	**400,580,746**	356,671,057
Vijay R Kirloskar	KMP	**400,580,746**	356,671,057

17 The Company has made provisions towards stamp duty payable. Details of the same are as under: **Amount in ₹**

Sl. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	Balance at the beginning of the period	**29,938,250**	-
2	Provision made during the period	**2,147,300**	29,938,250
3	Payment made during the year	**32,085,550**	-
4	Balance at the end of the period	-	29,938,250

18 a. In respect of aggregate trade receivables transferred from the holding company and outstanding as at March 31, 2016 for more than 2 years amounting to ₹ 34,99,02,881. (Previous year ₹ 31,33,77,432), the company has made an independent assessment of these debts and considered as good of recovery. Consequently, no provision is required at this stage.

b. The holding company has completed execution of conveyance deed in respect of land at Mysore during the year.

c. The Company is taking active steps to dispose off the immoveable properties and current assets so taken over and pay the unpaid consideration to its holding company and repay the borrowings from bank.

d. Assignment of dues from non residents are subject to approval of Reserve Bank of India, if required.

e. Previous period/year figures have been regrouped wherever necessary to confirm with current period presentation.

In Accordance with our report attached
For K R Kamath & Co
Chartered Accountants
CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S
Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kelbuzz Trading Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF M/S. LUXQUISITE PARKLAND PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. Luxquisite Parkland Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order

2. As required under Section 143(3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

i. The Company does not have pending litigations, which would impact its financial statements

ii. The company did not have any long term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF LUXQUISITE PARKLAND PRIVATE LIMITED, BENGALURU

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable.

2) The company does not have any inventories during the period covered under audit, hence the clause 3(ii) of the Order is not applicable.

3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable

4) In accordance to the information provided and explanations given to us, the company has generally complied with provisions of section 185 and 186 of the Act in respect of the investments of the company.

5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.

6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.

7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it to with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.

   b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.

8) In our opinion and according to the information and explanations given to us, the company has not taken any term loan, hence the clause 3(viii) of the Order is not applicable

9) According to the records of the company and according to the information and explanations provided to us, the company has not taken any term loan hence Clause No. 3(ix) of the said order is not applicable.

10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.

11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.

12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.

13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.

14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not issued any shares or debentures hence the comments required under clause 3(xiv) of the said Order are not been made here.

15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.

16) The company is not required to be registered under section 45-IA of the RBI Act, of 1934, hence the clause 3(xvi) of the Order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹	As at March 31, 2015 ₹	₹
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	**606,500,000**		606,500,000	
(b) Reserves and surplus	4	**(6,060,225)**		(5,057,775)	
			600,439,775		601,442,225
(2) Current liabilities					
(a) Other current liabilities	5	**6,092,360**		5,057,710	
		6,092,360		5,057,710	
TOTAL			**606,532,135**		606,499,935
II. ASSETS					
(1) Non - current assets					
(a) Non - Current investments	6	**606,300,000**		606,300,000	
			606,300,000		606,300,000
(2) Current assets					
(a) Cash and cash equivalents	7	**232,135**		199,935	
			232,135		199,935
TOTAL			**606,532,135**		606,499,935
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 11				

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Luxquisite Parkland Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current Year ₹	Previous Year ₹
I	**Expenses**			
	Other expenses	8	**1,002,450**	5,057,775
	Total expenses		**1,002,450**	5,057,775
II	**Loss for the period**		**1,002,450**	5,057,775
III	**Earning per equity share:**	9		
	Basic & diluted		**(0.02)**	(1.30)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 11		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Luxquisite Parkland Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year ₹	₹	Previous Period ₹	₹
Cash flows from operating activities				
Loss before taxation		**(1,002,450)**		(5,057,775)
Adjustments for:				
Increase/ (decrease) in trade payables and other current liabilities	**1,034,650**		5,057,710	
				5,057,710
Net cash from operating activities		**32,200**		(65)
Cash flows from investing activities				
Purchase of investments	-		(606,300,000)	
Net cash from investing activities		-		(606,300,000)
Cash flows from financing activities				
Proceeds from issue of share capital	-		606,500,000	
Finance costs			-	
Net cash from financing activities		-		606,500,000
Net increase/(decrease) in cash and cash equivalents		**32,200**		199,935
Cash and cash equivalents at beginning of the period		**199,935**		-
Cash and cash equivalents at end of the period		**232,135**		199,935

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Luxquisite Parkland Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

Luxquisite Parkland Private Limited ("the Company") was incorporated on December 2, 2014 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 INVESTMENTS:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

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

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	**₹**	Number	₹
3 Share capital:				
Authorized:				
Preference shares of ₹ 10/- each	**10,000**	**100,000**	10,000	100,000
Equity shares of ₹ 10/- each	**60,990,000**	**609,900,000**	60,990,000	609,900,000
		610,000,000		610,000,000
Issued, subscribed and fully paid up:				
Preference shares of ₹ 10/- each				
At the beginning of the reporting period	**10,000**	**100,000**	-	-
Issued during the reporting period	-	-	10,000	100,000
At the close of the reporting period	**10,000**	**100,000**	10,000	100,000
Equity shares of ₹ 10/- each				
At the beginning of the reporting period	**60,640,000**	**606,400,000**	-	-
Issued during the reporting period	-	-	60,640,000	606,400,000
At the close of the reporting period	**60,640,000**	**606,400,000**	60,640,000	606,400,000
Total		**606,500,000**		606,500,000

NOTES TO FINANCIAL STATEMENTS

Other Information:

1 Preference shares:

a. The Company has issued non cumulative preference shares of ₹ 10/- each. The preference shareholders do not have voting rights.

b. Preference shares carry a dividend of 0.1%.

c. Preference shares shall be redeemed after 10 years from the date of allotment.

	d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Best Trading Private Limited	**10,000**	**100%**	10,000	100%

2 Equity shares:

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

	b. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
a.	Kirloskar Electric Company Limited (holding Company)	**60,639,999**	**100%**	60,639,999	100%

Particulars	**As at March 31, 2016** ₹	As at March 31, 2015 ₹
4 Reserves and surplus:		
Surplus i.e. balance in statement of profit and loss		
At the beginning of the period	**(5,057,775)**	-
Transferred from statement of profit and loss	**(1,002,450)**	(5,057,775)
At the close of the period	**(6,060,225)**	(5,057,775)
TOTAL CLOSING BALANCE	**(6,060,225)**	(5,057,775)
5 Other long term liabilities		
a) Amount due to holding company	**6,047,020**	5,029,620
b) Other liabilities	**45,340**	28,090
	6,092,360	5,057,710

6 Non current investments:

Details of investments	Name of the Company	**As at March 31, 2016**			As at March 31, 2015		
		No of shares	Face value	Rs.	No of shares	Face value	Rs.
a) Investments in equity Instruments:							
i) Subsidiary: (Trade)							
Fully paid up							
	Kirsons BV	**2,550**	€ **100.00**	**606,300,000**	2,550	€ 100.00	606,300,000
	Total			**606,300,000**			606,300,000

Additional Information:

1) Aggregate value of unquoted investments:		
Cost	**606,300,000**	606,300,000

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 ₹	As at March 31, 2015 ₹
7 Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	**232,135**	199,935
Total	**232,135**	199,935
8 Other expenses:		
i) Rates and taxes	**628,500**	5,019,620
ii) Payment to auditors - as auditor	**17,250**	28,090
iii) Professional charges	**337,080**	10,000
iv) Bank Charges	**18,720**	-
v) Miscellaneous expenses	**900**	65
	1,002,450	5,057,775
9 Earnings per share: (Basic and diluted)		
After extraordinary item:		
Loss for the year after tax expense	**1,002,450**	5,057,775
Weighted average number of equity shares	**60,640,000**	3,899,808
Loss per share	**0.02**	1.30

10 SEGMENT REPORTING:

The Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

11 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Pralhad P Katti	
4	Vikas Kumar Gandhi	
5	P. Prakash (appointed w.e.f.June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

NOTES TO FINANCIAL STATEMENTS

(b) Transactions with the related parties **Amount in ₹**

Particulars	Relationship	Current Year	Previous Year
Issue of Equity shares			
Kirloskar Electric Company Limited	Holding Company	-	606,399,990
Purchase of Investments:			
Kirloskar Electric Company Limited	Holding Company	-	606,300,000
Reimbrusement of expenses:			
Kirloskar Electric Company Limited	Holding Company	**1,017,400**	5,029,620

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Kirloskar Electric Company Limited	Holding Company	**6,047,020**	5,029,620

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Luxquisite Parkland Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF M/S. SLPKG ESTATE HOLDINGS PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. SLPKG Estate Holdings Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

Attention is invited to Note 17. b to the financial statements regarding the trade receivables above 2 years, considered good by management is estimated at ₹ 10,41,20,310 for which we are unable to explain an independent on the same.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, subject to the matters described in the Basis of Qualified Opinion, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order

2. As required under Section 143(3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

   c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

   d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

   f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

      i. The Company does not have pending litigations, which would impact its financial statements

      ii. The company did not have any long term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF SLPKG ESTATE HOLDINGS PRIVATE LIMITED, BENGALURU

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable

2) The company does not have any inventories during the period covered under audit, hence the clause 3(ii) of the Order is not applicable

3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable

4) In accordance to the information provided and explanations given to us, the company has not granted loan, made investment, provided any guarantee or security hence comments required under clause 3(iv) has not been made here.

5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.

6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.

7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it to with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.

   b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.

8) According to the records of the company and according to the information and explanations provided to us, the company has not defaulted in repayment of dues to the bank.

9) According to the records of the company and according to the information and explanations provided to us, the company has applied the proceeds of the term loans obtained by it for the purpose for which it was obtained.

10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.

11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.

12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.

13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.

14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not issued any shares or debentures hence the comments required under clause 3(xiv) of the said Order are not been made here.

15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.

16) The company is not required to be registered under section 45-IA of the RBI Act, of 1934, hence the clause 3(xvi) of the Order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹	As at March 31, 2015 ₹	₹
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	**1,000,000**		1,000,000	
(b) Reserves and surplus	4	**(28,150,467)**		(3,599,775)	
			(27,150,467)		(2,599,775)
(2) Non - current liabilities					
(a) Long term borrowings	5	**256,297,822**			
(b) Other long term liabilities	6	**295,502,178**		551,800,000	
			551,800,000		551,800,000
(3) Current liabilities					
(a) Short term borrowings	7	**2,533,089**			
(b) Other current liabilities	8	**248,632,173**		378,791,677	
(c) Short term provisions	9	-		36,500,000	
			251,165,262		415,291,677
TOTAL			**775,814,795**		964,491,902
II. ASSETS					
(1) Non - current assets					
(a) Assets held for sale	10	**588,131,508**		584,742,500	
(b) Other non - current assets	11	**186,691,972**		378,749,467	
			774,823,480		963,491,967
(2) Current assets					
(a) Cash and cash equivalents	12		**991,315**		999,935
TOTAL			**775,814,795**		964,491,902
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 16 to 18				

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of SLPKG Estate Holdings Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current Year ₹	Previous Year ₹
I	**Expenses**			
	Finance costs	13	**19,706,476**	-
	Other expenses	14	**4,844,216**	3,599,775
	Total expenses		**24,550,692**	3,599,775
II	**Loss for the period**		**24,550,692**	3,599,775
III	**Earning per equity share:**	15		
	Basic & diluted		**(272.79)**	(1,026.45)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 16 to 18		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of SLPKG Estate Holdings Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year ₹	₹	Previous Period ₹	₹
Cash flows from operating activities				
Loss before taxation	**(24,550,692)**			(3,599,775)
Adjustments for:				
Provision for diminution in value of the asset	-			3,557,500
Finance cost	**19,706,476**			-
	(4,844,216)			(42,275)
Decrease in other current assets	**192,057,495**		-	
Increase in assets held for sale	**(3,389,008)**		-	
Decrease in trade payables and other current liabilities	**(422,957,326)**		42,210	
	(234,288,839)			42,210
	(239,133,055)			(65)
Income taxes paid	-			-
Net cash from operating activities	**(239,133,055)**			(65)
Cash flows from investing activities				
Cash flows from financing activities				
Proceeds from issue of share capital	-		1,000,000	
Proceeds from long term borrowings	**258,830,911**		-	
Finance costs	**(19,706,476)**		-	
Net cash from financing activities	**239,124,435**			1,000,000
Net increase/(decrease) in cash and cash equivalents	**(8,620)**			999,935
Cash and cash equivalents at beginning of the period	**999,935**			-
Cash and cash equivalents at end of the period	**991,315**			999,935

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of SLPKG Estate Holdings Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

SLPKG Estate Holdings Private Limited ("the Company") was incorporated on December 2, 2014 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 ASSETS HELD FOR SALE:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

b. 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.

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	₹	Number	₹
3 Share capital:				
Authorized:				
Preference shares of ₹ 10/- each	**10,000**	**100,000**	10,000	100,000
Equity shares of ₹ 10/- each	**90,000**	**900,000**	90,000	900,000
		1,000,000		1,000,000
Issued, subscribed but not fully paid up:				
Preference shares of ₹ 10 /- each				
At the beginning of the reporting period	**10,000**	**100,000**	-	-
Issued during the reporting period	-	-	10,000	100,000
Redeemed during the reporting period	-	-	-	-
At the close of the reporting period	**10,000**	**100,000**	10,000	100,000
Equity shares of ₹ 10/- each				
At the beginning of the reporting period	**90,000**	**900,000**	-	-
Issued during the reporting period	-	-	90,000	900,000
Bought back during the reporting period	-	-	-	-
At the close of the reporting period	**90,000**	**900,000**	90,000	900,000

NOTES TO FINANCIAL STATEMENTS

Other Information:

1 Preference shares:

a. The Company has issued non cumulative preference shares of ₹ 10/- each. The preference shareholders do not have voting rights.

b. Preference shares carry a dividend of 0.1%.

c. Preference shares shall be redeemed after 10 years from the date of allotment.

	Particulars of preference share holders holding more than 5% of the total number of preference share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Best Trading Private Limited	**10,000**	**100%**	10,000	100%

2 Equity shares:

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

	Particulars of equity share holders holding more than 5% of the total number of equity share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
	Kirloskar Electric Company Limited (holding Company)	**89,999**	**100%**	89,999	100%

Particulars	**As at March 31, 2016** ₹	As at March 31, 2015 ₹
4 Reserves and surplus:		
Surplus i.e. balance in statement of profit and loss		
At the beginning of the period	**(3,599,775)**	-
Transferred from statement of profit and loss	**(24,550,692)**	(3,599,775)
At the close of the period	**(28,150,467)**	(3,599,775)
TOTAL CLOSING BALANCE	**(28,150,467)**	(3,599,775)
5 Other long term liabilities		
a) Secured loans:		
Term loan from Bank	256,297,822	-
	256,297,822	-

Additional Information:

1) Lenders:

Consortium lending by Bank of India, State Bank of Mysore, State Bank of Travencore, State Bank of Hyderabad. Bank of India being the leader of Consortium.

2) Details of security for secured loans:

a. First charge on the entire current assets present and future including stocks, receivables etc.

b. Collateral security by first paripassu charge by way of Equitable Mortgage of property at Belvadi Industrial Area, Mysore; property at Worli Mumbai; propety at Nehru Place, New Delhi.

3) Terms of repayment of term loans and others:

Loan is repayable within a period of 36 months. Interest repayable as as when applied.

4) Rate of Interest:

Loan carrry an interest rate of BOI Base Rate + 0.80% (Currently 11.00%) payable as and when charged by the bank.

5) Loans guaranteed by directors or others:

Loan is guranteed by the Holding Company and Mr. Vijay R Kirloskar

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2016 ₹	As at March 31, 2015 ₹
6	**Other Non current liabilities:**		
	i) Amount due to holding company	**295,502,178**	551,800,000
		295,502,178	551,800,000
7	**Short term borrowings:**		
	Short term advance from bank	**2,533,089**	**-**
		2,533,089	**-**
8	**Other current liabilities:**		
	a) Amount due to holding company	**248,586,833**	373,245,587
	b) Statutory liabilities	-	5,518,000
	c) Other liabilities	**45,340**	28,090
		248,632,173	378,791,677
9	**Short term provisions:**		
	a) Towards stamp duty	-	36,500,000
		-	36,500,000
10	**Assets Held for Sale:**		
	i) Land & Building	**591,689,008**	588,300,000
	Less:		
	Provision for diminution in the value of the asset	**3,557,500**	3,557,500
		588,131,508	584,742,500
11	**Other Non - Current assets:**		
	i) Other receivables	**186,691,972**	378,749,467
	ii) Others	-	-
		186,691,972	378,749,467
	Less:		
	Provision doubtful receivables	-	-
		186,691,972	378,749,467
12	**Cash and cash equivalents:**		
	i) Balances with banks - in other accounts	**991,315**	999,935
	Total	**991,315**	999,935
13	**Finance costs:**		
	Interest on loans	**19,706,476**	-
		19,706,476	-
14	**Other expenses:**		
	i) Rates and taxes	**18,400**	7,120
	ii) Payment to auditors - as auditor	**17,250**	28,090
	iii) Professional charges	**6,500**	7,000
	iv) Provision for diminution in the value of the asset	-	3,557,500
	v) Advertisement	**33,770**	-
	v) Bank charges	**4,768,296**	65
		4,844,216	3,599,775
15	**Earnings per share:** (Basic and diluted)		
	Loss for the year after tax expense	**24,550,692**	3,599,775
	Weighted average number of equity shares	**90,000**	3,507
	Loss per share	**272.79**	1,026.45

NOTES TO FINANCIAL STATEMENTS

16 SEGMENT REPORTING:

The Company is a SPV engaged in the realisation of fixed and current assets trasnferred from its holding company. Since the Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

17 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Pralhad P Katti	
4	P. Prakash (appointed w.e.f.June 30, 2015)	
5	Vikas Kumar Gandhi (appointed w.e.f. June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

(b) Transactions with the related parties: **Amount in ₹**

Particulars	Relationship	Current Year	Previous Year
Issue of Equity shares			
Kirloskar Electric Company Limited	Holding Company	-	899,990
Purchase of Assets held for sale			
Kirloskar Electric Company Limited	Holding Company	-	551,800,000
Purchase of Receivables			
Kirloskar Electric Company Limited	Holding Company	-	430,006,866
Reimbrusement of expenses:			
Kirloskar Electric Company Limited	Holding Company	**59,746,320**	14,120

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due from Company:			
Kirloskar Electric Company Limited	Holding Company	**544,089,011**	925,045,587

18 The Company has made provisions towards stamp duty payable. Details of the same are as under: **Amount in ₹**

Sl. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	Balance at the beginning of the period	**36,500,000**	-
2	Provision made during the period	**70,950**	36,500,000
3	Paid during the year	**36,570,950**	-
3	Balance at the end of the period	-	36,500,000

a. The Company is taking active steps to dispose off the immoveable properties and current assets so taken over and pay the unpaid consideration to its holding company and repay the borrowings from bank.

b. In respect of aggregate trade receivables transferred from the holding company and outstanding as at 31-03-2016 for more than 2 years amounting to ₹ 10,41,20,310 (Previous year ₹ 7,37,89,582) The company has made an independent assessment of these debts and considered as good of recovery. Consequently, no provision is required at this stage.

c. The holding company has completed conveyancing of property at Mysore, building at Mumbai and building at New Delhi.

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of SLPKG Estate Holdings Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF M/s. SKG TERRA PROMENADE PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. SKG Terra Promenade Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order

2. As required under Section 143(3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

i. The Company does not have pending litigations, which would impact its financial statements

ii. The company did not have any long term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF SKG TERRA PROMENADE PRIVATE LIMITED

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable

2) The company does not have any inventories during the period covered under audit, hence the clause 3(ii) of the Order is not applicable

3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable

4) In accordance to the information provided and explanations given to us, the company has generally complied with provisions of section 185 and 186 of the Act in respect of guarantees extended by it.

5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.

6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.

7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.

b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.

8) In our opinion and according to the information and explanations given to us, the company has not taken any term loan, hence the clause 3(viii) of the Order is not applicable

9) According to the records of the company and according to the information and explanations provided to us, the company has not taken any term loan hence Clause No. 3(ix) of the said order is not applicable.

10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.

11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.

12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.

13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.

14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not issued any shares or debentures hence the comments required under clause 3(xiv) of the said Order are not been made here.

15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.

16) The company is not required to be registered under section 45-IA of the RBI Act, of 1934, hence the clause 3(xvi) of the Order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹	As at March 31, 2015 ₹	₹
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	**200,000**		200,000	
(b) Reserves and surplus	4	**(8,628,245)**		(8,034,675)	
			(8,428,245)		(7,834,675)
(2) Non - current liabilities					
(b) Other long term liabilities	5		**345,000,000**		341,563,320
(3) Current liabilities					
(a) Other Current liabilities	6	**23,404,860**		3,478,090	
(b) Short term provisions	7	-		23,100,000	
			23,404,860		26,578,090
TOTAL			**359,976,615**		360,306,735
II. ASSETS					
(1) Non - current assets					
(a) Assets held for sale	8	**359,776,800**		360,106,800	
			359,776,800		360,106,800
(2) Current assets					
(a) Cash and cash equivalents	9		**199,815**		199,935
TOTAL			**359,976,615**		360,306,735
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 11 13 to 16				

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of Board of Directors of SKG Terra Promenade Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current Year ₹	Previous Year ₹
I	**Expenses**			
	Other expenses	10	**593,570**	8,034,675
	Total expenses		**593,570**	8,034,675
II	**Loss for the period**		**593,570**	8,034,675
III	**Earning per equity share:**	12		
	Basic & diluted		**(59.36)**	(2,464.62)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 11 13 to 16		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of Board of Directors of SKG Terra Promenade Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year ₹	₹	Previous Period ₹	₹
Cash flows from operating activities				
Loss before taxation		**(593,570)**		(8,034,675)
Adjustments for:				
Provision for diminution in value of the asset		-		7,993,200
		(593,570)		(41,475)
(Increase)/ decrease in other current assets	-		-	
(Increase)/ decrease in assets held for sale	**330,000**		-	
Increase/ (decrease) in trade payables and other current liabilities	**263,450**		41,410	
		593,450		41,410
Net cash from operating activities		**(120)**		(65)
Cash flows from financing activities				
Proceeds from issue of share capital	-		200,000	
Net cash from financing activities		-		200,000
Net increase/(decrease) in cash and cash equivalents		**(120)**		199,935
Cash and cash equivalents at beginning of the period		**199,935**		-
Cash and cash equivalents at end of the period		**199,815**		199,935

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of Board of Directors of SKG Terra Promenade Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

SKG Terra Promenade Private Limited ("the Company") was incorporated on December 3, 2014 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 ASSETS HELD FOR SALE:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

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

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	₹	Number	₹
3 Share capital:				
Authorized:				
Preference shares of Rs.10/- each	**10,000**	**100,000**	10,000	100,000
Equity shares of Rs.10/- each	**90,000**	**900,000**	90,000	900,000
		1,000,000		1,000,000
Issued, subscribed but not fully paid up:				
Preference shares of Rs.10 /- each				
At the beginning of the reporting period	**10,000**	**100,000**	-	
Issued during the reporting period	-	-	10,000	100,000
Redeemed during the reporting period	-		-	
At the close of the reporting period	**10,000**	**100,000**	10,000	100,000
Equity shares of Rs. 10/- each				
At the beginning of the reporting period	**10,000**	**100,000**	-	
Issued during the reporting period	-	-	10,000	100,000
Bought back during the reporting period	-		-	
At the close of the reporting period	**10,000**	**100,000**	10,000	100,000

NOTES TO FINANCIAL STATEMENTS

Other Information:

1 Preference shares:

a. The Company has issued non cumulative preference shares of Rs.10/- each. The preference shareholders do not have voting rights.

b. Preference shares carry a dividend of 0.1%.

c. Preference shares shall be redeemed after 10 years from the date of allotment.

	d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:	**As at March 31, 2016**		As at March 31, 2015	
		Number	**Percentage**	Number	Percentage
(i)	Best Trading Private Limited	**10,000**	**100%**	10,000	100%

2 Equity shares:

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

b. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	**As at March 31, 2016**		As at March 31, 2015	
	Number	**Percentage**	Number	Percentage
Kirloskar Electric Company Limited (holding Company)	**9,999**	**100%**	9,999	100%

Particulars	**As at March 31, 2016** ₹	As at March 31, 2015 ₹
4 Reserves and surplus:		
Surplus i.e. balance in statement of profit and loss		
At the beginning of the period	**(8,034,675)**	-
Transferred from statement of profit and loss	**(593,570)**	(8,034,675)
At the close of the period	**(8,628,245)**	(8,034,675)
TOTAL CLOSING BALANCE	**(8,628,245)**	(8,034,675)
5 Other Non current liabilites		
i) Amount due to holding company	**345,000,000**	**341,563,320**
	345,000,000	341,563,320
6 Other current liabilities:		
a) Statutory liabilities	-	3,450,000
b) Amount due to holding company	**23,359,520**	-
c) Other liabilities	**45,340**	28,090
	23,404,860	3,478,090
7 Short term provisions:		
a) Towards stamp duty	-	23,100,000
	-	23,100,000
8 Assets Held for Sale		
i) Land & Building	**367,770,000**	368,100,000
Less:		
Provision for dimunition in the value of the asset	**7,993,200**	7,993,200
	359,776,800	360,106,800

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 ₹	As at March 31, 2015 ₹
9 Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	**199,815**	199,935
Total	**199,815**	199,935
10 Other expenses:		
i) Rates and taxes	**566,200**	6,320
ii) Payment to auditors - as auditor	**17,250**	28,090
iii) Professional charges	-	7,000
iv) Provision for diminution in the value of the asset	-	7,993,200
v) Registration charges	**10,000**	-
vi) Bank charges	**120**	65
	593,570	8,028,355
11 Contingent liabilities and commitments:		
(to the extent not provided for)		
Contingent liabilities:		
The Company has given Corporate Guarantee to the Corporation Bank on behalf of the Kirloskar Electric Company Limited for working capital mortgage loan taken by them.	**273,509,879.00**	273,509,879.00
12 Earnings per share:		
(Basic and diluted)		
Loss for the year after tax expense	**593,570**	8,034,675
Weighted average number of equity shares	**10,000**	3,260
Loss per share	**(59.36)**	(2,464.62)

13 SEGMENT REPORTING:

The Company is a SPV engaged in the realisation of fixed and current assets transferred from its holding company. Since the Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

14 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Pralhad P Katti	
4	P. Prakash (appointed w.e.f.June 30, 2015)	
5	Vikas Kumar Gandhi (appointed w.e.f. June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

NOTES TO FINANCIAL STATEMENTS

(b) Transactions with the related parties **Amount in ₹**

Particulars	Relationship	Current Year	Relationship	Previous Year
Issue of Equity shares				
Kirloskar Electric Company Limited	**Holding Company**	**-**	Holding Company	99,990
Purchase of Assets held for sale				
Kirloskar Electric Company Limited	**Holding Company**	**-**	Holding Company	345,000,000
Purchase of Receivables				
Kirloskar Electric Company Limited	**Holding Company**	**-**	Holding Company	-
Reimbrusement of expenses:				
Kirloskar Electric Company Limited	**Holding Company**	**23,346,200**	Holding Company	13,320

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016	Relationship	As at March 31, 2015
Amount due from Company:				
Kirloskar Electric Company Limited	**Holding Company**	**345,000,000**	Holding Company	341,563,320

15 The Company has made provisions towards stamp duty payable. Details of the same are as under:

Amount in ₹

Sl. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	Balance at the beginning of the year	23,100,000	-
2	Provision made/(reversed) during the year	(330,000)	23,100,000
3	Paid during the year	22,770,000	-
4	Balance at the end of the year	-	23,100,000

16 a. The holding company has completed conveyancing of property at Mysore and buildings at Bengaluru.

b. The Company is taking active steps to dispose off the immoveable properties and current assets so taken over and pay the unpaid consideration to its holding company and repay the holding company's borrowings from bank.

c. The Company is taking active steps to dispose off the immoveable properties and current assets so taken over and pay the unpaid consideration to its holding company and repay the borrowings from bank.

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of Board of Directors of SKG Terra Promenade Private Limited

Pralhad P Katti
Director
DIN:07005635

Vikas Kumar Gandhi
Director
DIN: 07104367

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF M/s. SWAKI HABITAT PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. Swaki Habitat Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order.
2. As required under Section 143(3) of the Act, we report that:
    a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
    b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;

c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

i. The Company does not have pending litigations, which would impact its financial statements

ii. The company did not have any long term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF SWAKI HABITAT PRIVATE LIMITED, BENGALURU

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable.

2) The company does not have any inventories during the period covered under audit, hence the clause 3(ii) of the Order is not applicable.

3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable

4) In accordance to the information provided and explanations given to us, the company has not granted loan, made investment, provided any guarantee or security hence comments required under clause 3(iv) has not been made here.

5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.

6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.

7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it to with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.

b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.

8) In our opinion and according to the information and explanations given to us, the company has not taken any term loan, hence the clause 3(viii) of the Order is not applicable

9) According to the records of the company and according to the information and explanations provided to us, the company has not taken any term loan hence Clause No. 3(ix) of the said order is not applicable.

10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.

11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.

12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.

13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.

14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not made any preference allotment or issued any shares or debentures under private placement hence the comments required under clause 3(xiv) of the said Order are not been made here.

15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.

16) The company is not required to be registered under section 45-IA of the RBI Act, of 1934, hence the clause 3(xvi) of the Order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	**100,000**	
(b) Reserves and surplus	4	**(21,665)**	
			78,335
(2) Current liabilities			
(a) Other current liabilities	5	**12,920**	
(b) Short term provisions	6	**8,625**	
			21,545
TOTAL			**99,880**
II. ASSETS			
(1) Current assets			
(a) Cash and cash equivalents	7		**99,880**
TOTAL			**99,880**
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 12		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Swaki Habitat Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2016

	Particulars	Note No.	Current Period ₹
I	**Expenses**		
	Other expenses	8	**21,665**
	Total expenses		**21,665**
II	**Loss for the period**		**21,665**
III	**Earning per equity share:**	9	
	Basic & diluted		**(2.17)**
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 12	

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Swaki Habitat Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

Particulars	Current Period	
	₹	₹
Cash flows from operating activities		
Loss before taxation		**(21,665)**
Adjustments for:		
Provision for diminution in value of the asset		-
		(21,665)
(Increase)/ decrease in other current assets	-	
(Increase)/ decrease in assets held for sale	-	
Increase/ (decrease) in trade payables and other current liabilities	**21,545**	
		21,545
Net cash from operating activities		**(120)**
Cash flows from financing activities		
Proceeds from issue of share capital	**100,000**	
Net cash from financing activities		**100,000**
Net increase/(decrease) in cash and cash equivalents		**99,880**
Cash and cash equivalents at beginning of the period		**-**
Cash and cash equivalents at end of the period		**99,880**

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Swaki Habitat Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

Swaki Habitat Private Limited ("the Company") was incorporated on March 19 , 2015 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 ASSETS HELD FOR SALE:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

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

	Particulars	As at March 31, 2016	
		Number	₹
3	**Share capital:**		
	Authorized:		
	Equity shares of Rs.10/- each	**100,000**	**1,000,000**
		100,000	**1,000,000**
	Issued, subscribed but not fully paid up:		
	Equity shares of Rs. 10/- each		
	At the beginning of the reporting period	-	
	Issued during the reporting period	**10,000**	**100,000**
	Bought back during the reporting period	-	
	At the close of the reporting period	**10,000**	**100,000**

2 Equity shares:

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

NOTES TO FINANCIAL STATEMENTS

b. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	As at March 31, 2016 Number	Percentage
Kirloskar Electric Company Limited (holding Company)	9,999	100%

Particulars	As at March 31, 2016 ₹
4 Reserves and surplus:	
Surplus i.e. balance in statement of profit and loss	
At the beginning of the period	-
Transferred from statement of profit and loss	(21,665)
At the close of the period	(21,665)
TOTAL CLOSING BALANCE	(21,665)
5 Other Current liabilities	
i) Amount due to holding company	12,920
	12,920
6 Short term provisions:	
a) Towards Audit fee	8,625
	8,625
7 Cash and cash equivalents:	
i) Balances with banks	
- in other accounts	99,880
Total	99,880
8 Other expenses:	
i) Rates and taxes	12,920
ii) Payment to auditors - as auditor	8,625
iii) Bank charges	120
	21,665
9 Earnings per share:	
(Basic and diluted)	
Loss for the year after tax expense	21,665
Weighted average number of equity shares	10,000
Loss per share	2.17

10 SEGMENT REPORTING:

The Company is a SPV engaged in the realisation of fixed and current assets transferred from its holding company. Since the Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

NOTES TO FINANCIAL STATEMENTS

11 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Vikas Kumar Gandhi	
4	P. Prakash (appointed w.e.f.June 30, 2015)	
5	Pralhad P Katti(appointed w.e.f.June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

(b) Transactions with the related parties **Amount in ₹**

Particulars	Relationship	Current Year
Issue of Equity shares		
Kirloskar Electric Company Limited	Holding Company	**99,990**
Reimbrusement of expenses:		
Kirloskar Electric Company Limited	Holding Company	**12,920**

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016
Amount due from Company:		
Kirloskar Electric Company Limited	Holding Company	**12,920**

12 The Company was incorporated on March 19, 2015 hence previous year figures have not been furnished.

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Swaki Habitat Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF M/s. KESVIK DEVELOPERS PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying standalone financial statements of M/s. Kesvik Developers Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2016 and the Statement of Profit and loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information annexed thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation of these stand alone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these stand alone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the act and rules made there under:

We conducted our audit in accordance with the standards on auditing specified under Section 143 (10) of the Act. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statements.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosures in the financial statements. The procedures selected depends upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Companies Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2016, and its loss and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2016, ("The Order") issued by the Government of India, in terms of sub section (11) of section 143 of the Act. And on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the annexure 1, a statement on the matters specified in the paragraphs 3 & 4 of the said order

2. As required under Section 143(3) of the Act, we report that:

    a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

d) in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e) on the basis of written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act as on 31st March 2016; and

f) with respect to the other matters to be included in the auditor's report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanation given to us:

i. The Company does not have pending litigations, which would impact its financial statements

ii. The company did not have any long term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in the respect of material foreseeable losses under applicable laws or accounting standards.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF KESVIK DEVELOPERS PRIVATE LIMITED, BENGALURU

1) The company does not have any fixed assets during the period covered under audit, hence the clause 3(i) of the Order is not applicable.

2) The company does not have any inventories during the period covered under audit, hence the clause 3(ii) of the Order is not applicable.

3) The company has not granted any loans during the year to the Companies, firms or other parties listed in the register maintained under section 189 of the Act, the clause 3(iii) of the Order is not applicable

4) In accordance to the information provided and explanations given to us, the company has not granted loan, made investment, provided any guarantee or security hence comments required under clause 3(iv) has not been made here.

5) The company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act, and the rules framed thereunder. Accordingly, the provisions of Clause 3(v) of the said order are not applicable.

6) To the best of our knowledge and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 148 of the Act for the products of the company. Accordingly, provisions of clause 3(vi) of the said order are not applicable.

7) a) According to the records of the Company, the Company is generally regular in depositing the undisputed statutory dues applicable to it with the appropriate authorities. In terms of its books of accounts, no undisputed statutory dues payable in respect of provident fund, employees state insurance, income tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess, and any other undisputed statutory dues were outstanding, as at March 31, 2016 for a period of more than six months from the date they became payable.

b) According to the records of the company and according to the information and explanations given to us, there were no dues outstanding on account of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess on account of dispute.

8) In our opinion and according to the information and explanations given to us, the company has not taken any term loan, hence the clause 3(viii) of the Order is not applicable

9) According to the records of the company and according to the information and explanations provided to us, the company has not taken any term loan hence Clause No. 3(ix) of the said order is not applicable.

10) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us, we report that no material frauds on or by the company has been noticed or reported.

11) The company has provided for or paid any managerial remuneration during the period covered under audit, hence the comments required under clause 3(xi) of the said Order are not been made here.

12) The company is not a Nidhi company, Accordingly, clause 3(xii) of the said order is not applicable.

13) According to the records of the company and according to the information and explanations provided to us, the company has disclosed in the financial statements for the year ended March 31, 2016 matters required under section 188 of the Companies Act and as required under relevant Accounting standards.

14) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not made any preference allotment or issued any shares or debentures under private placement hence the comments required under clause 3(xiv) of the said Order are not been made here.

15) According to the records of the company and according to the information and explanations provided to us, during the period covered under audit, the company has not entered into non cash transactions with Directors or persons connected with Directors.

16) The company is not required to be registered under Section 45 - IA of the RBI Act of 1934, hence the clause 3 (16) of the order is not applicable.

For K R Kamath & Co
Chartered Accountants

(CA Rohith Kamath)
Proprietor
M. No: 221737
Firm Reg No: 012708S

Date: May 24, 2016
Place: Bengaluru

BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹	₹
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	**100,000**	
(b) Reserves and surplus	4	**(22,465)**	
			77,535
(2) Current liabilities			
(a) Other current liabilities	5	**13,720**	
(b) Short term provisions	6	**8,625**	
			22,345
TOTAL			**99,880**
II. ASSETS			
(1) Current assets			
(a) Cash and cash equivalents	7		**99,880**
TOTAL			**99,880**
Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 12		

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kesvik Developers Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2016

	Particulars	Note No.	Current Period ₹
I	**Expenses**		
	Other expenses	8	**22,465**
	Total expenses		**22,465**
II	**Loss for the period**		**22,465**
III	**Earning per equity share:**	9	
	Basic & diluted		**(2.25)**
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 10 to 12	

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kesvik Developers Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

Particulars	Current Period	
	₹	₹
Cash flows from operating activities		
Loss before taxation		**(22,465)**
Adjustments for:		
Provision for diminution in value of the asset		-
		(22,465)
(Increase)/ decrease in other current assets	-	
(Increase)/ decrease in assets held for sale	-	
Increase/ (decrease) in trade payables and other current liabilities	**22,345**	
		22,345
Net cash from operating activities		**(120)**
Cash flows from financing activities		
Proceeds from issue of share capital	**100,000**	
Net cash from financing activities		**100,000**
Net increase/(decrease) in cash and cash equivalents		**99,880**
Cash and cash equivalents at beginning of the period		**-**
Cash and cash equivalents at end of the period		**99,880**

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kesvik Developers Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

Kesvik Developers Private Limited ("the Company") was incorporated on March 25 , 2015 and is a subsidiary of Kirloskar Electric Company Limited. The Company has been formed as Special Purpose Vehicle ("SPV") as per the restructuring terms.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013. All income and expenditure, having a material bearing on financial statements, are recognized on accrual basis.

2.2 USE OF ESTIMATES:

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

2.3 ASSETS HELD FOR SALE:

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

2.4 TAXES ON INCOME:

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

2.5 IMPAIRMENT OF ASSETS:

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

2.6 PROVISIONS AND CONTINGENT LIABILITIES:

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

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

Particulars	As at March 31, 2016	
	Number	₹
3 Share capital:		
Authorized:		
Equity shares of ₹ 10/- each	**100,000**	**1,000,000**
	100,000	**1,000,000**
Issued, subscribed but not fully paid up:		
Equity shares of ₹ 10/- each		
At the beginning of the reporting period	-	
Issued during the reporting period	**10,000**	**100,000**
Bought back during the reporting period	-	
At the close of the reporting period	**10,000**	**100,000**

2 Equity shares:

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

NOTES TO FINANCIAL STATEMENTS

b. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	As at March 31, 2016 Number	Percentage
Kirloskar Electric Company Limited (holding Company)	9,999	100%

Particulars	As at March 31, 2016 ₹
4 Reserves and surplus:	
Surplus i.e. balance in statement of profit and loss	
At the beginning of the period	-
Transferred from statement of profit and loss	(22,465)
At the close of the period	(22,465)
TOTAL CLOSING BALANCE	(22,465)
5 Other Current liabilities	
i) Amount due to holding company	13,720
	13,720
6 Short term provisions:	
a) Towards Audit fee	8,625
	8,625
7 Cash and cash equivalents:	
i) Balances with banks	
- in other accounts	99,880
Total	99,880
8 Other expenses:	
i) Rates and taxes	13,720
ii) Payment to auditors - as auditor	8,625
iii) Bank charges	120
	22,465
9 Earnings per share:	
(Basic and diluted)	
Loss for the year after tax expense	22,465
Weighted average number of equity shares	10,000
Loss per share	2.25

10 SEGMENT REPORTING:

The Company is a SPV engaged in the realisation of fixed and current assets transferred from its holding company. Since the Company's business activity primarily falls within single business segment, no further disclosures required other than those given in the financial statements.

NOTES TO FINANCIAL STATEMENTS

11 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirloskar Electric Company Limited	Holding Company
2	Vijay R Kirloskar	Key Management Personnel and their relatives ("KMP")
3	Vikas Kumar Gandhi	
4	P. Prakash (appointed w.e.f.June 30, 2015)	
5	Pralhad P Katti(appointed w.e.f.June 30, 2015)	
6	Swapna Latha K S (Resigned w.e.f. June 30, 2015)	

(b) Transactions with the related parties **Amount in ₹**

Particulars	Relationship	Current Year
Issue of Equity shares		
Kirloskar Electric Company Limited	Holding Company	**99,990**
Reimbrusement of expenses:		
Kirloskar Electric Company Limited	Holding Company	**13,720**

(c) Outstanding balances at the end of the year: **Amount in ₹**

Particulars	Relationship	As at March 31, 2016
Amount due from Company:		
Kirloskar Electric Company Limited	Holding Company	**13,720**

12 The Company was incorporated on March 25, 2015 hence previous year figures have not been furnished.

In Accordance with our report attached

For K R Kamath & Co
Chartered Accountants

CA. Rohith Kamath
Proprietor
M. No. 221737
FRN: 012708S

Place: Bengaluru
Date: May 24, 2016

For and on behalf of the Board of Directors of Kesvik Developers Private Limited

Pralhad P Katti
Director
DIN:07005635

Prakash P
Director
DIN: 07199035

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

Oostzaan, May 20, 2016

Dear Sirs,

According to your assignment we have audited the financial statements for the year 2015-2016 (ending March 31, 2016) of Kirsons B.V. in Amsterdam (Netherlands).

1 GENERAL INFORMATION

1.1 Scope of engagement

According to your assignment we have audited the financial statement 2015-2016 of Kirsons B.V. in Amsterdam (Netherlands). These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are stated on the pages 6 up to and including 17 of this report.

1.2 Registration

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

1.3 Activities of the company

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

1.4 Management

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

The auditor's reports is stated under "Other information" on page 20 of this report.

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

Yours sincerely,

Drs. Gerrit C. Groen RA

BALANCE SHEET AS PER MARCH 31, 2016

(after appropriation of the result)

Particulars	Note No.	March 31, 2016		March 31, 2015	
		€	€	€	€
ASSETS					
Fixed assets					
Intangible fixed assets	**(1)**				
Intellectual property			**889.000,00**		1.016.000,00
Current assets					
Receivables	**(3)**				
Loans and advancements to subsidiaries		**471.566,28**		471.566,28	
Tax receivables		**952,00**		2.138,00	
Prepaid expenses		**2.137,50**		2.119,50	
			474.655,78		475.823,78
Cash	**(4)**		**4.014,93**		18.741,50
TOTAL			**1.367.670,71**		1.510.565,28
EQUITY AND LIABILITIES					
Shareholders' equity	**(5)**				
Issued and paid up share capital		**255.000,00**		255.000,00	
Share premium		**30.720.243,55**		30.720.243,55	
Other reserves		**-29.798.543,35**		-29.650.867,71	
			1.176.700,20		1.324.375,84
Current liabilities	**(7)**				
Accounts payable		**19.197,26**		2.638,74	
Accruals and deferred liabilities		**171.773,25**		183.550,70	
			190.970,51		186.189,44
TOTAL			**1.367.670,71**		1.510.565,2

PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2015 TILL MARCH 31, 2016

Particulars	Note No.	2015 / 2016 €	2015 / 2016 €	2014 / 2015 €	2014 / 2015 €
Costs					
Depreciation costs	**(8)**	**127.000,00**		127.000,00	
Operating costs		**20.127,13**		84.425,62	
			147.127,13		211.425,62
Operating result			**-147.127,13**		-211.425,62
Financial result	**(10)**		**-548,51**		-74.079,56
Result ordinary activities before taxation			**-147.675,64**		-285.505,18
Taxation	**(11)**		-		5.005,29
Result ordinary activities after taxation			**-147.675,64**		-280.499,89
Extraordinary losses	**(12)**		-		-32.001.413,90
Net result for the year			**-147.675,64**		-32.281.913,79

3 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

GENERAL INFORMATION

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The valuation of assets and liabilities and the determination of the result occurs under the historical costs convention. Unless presented otherwise assets and liabilities are stated at face value. Income and expenses are accounted for on accrual basis. Profit is only included if and when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if and when these are known before finalizing the financial statements.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

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

Financial fixed assets

The participations in the subsidiaries are valued at cost price according to Dutch reporting guideline RJ 214.325 since the exemption of article 408, Book 2 of the Dutch Civil Code is applied. If necessary a provision for reduction in value is taken into account.

Receivables

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

Cash

Cash in hand and at the bank are accounted for at face value.

Liabilities

Liabilities are accounted for at face value unless otherwise stated.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

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

Depreciation costs

The depreciation costs of intangible fixed assets are calculated by means of a fixed percentage of the cost price.

Financial result

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

Taxation

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

Extraordinary results

Extraordinary results are gains and losses resulting from events or transactions which are clearly distinguishable from the normal activities of the company and therefore are to be expected to occur rarely.

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2016

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Intellectual property
	€
Bookvalue as per April 1, 2015	1.016.000,00
Depreciation	-127.000,00
Bookvalue as per March 31, 2016	**889.000,00**
Acquisition price	1.270.000,00
Accumulated depreciation	-381.000,00
Bookvalue as per March 31, 2016	**889.000,00**
Rate of depreciation	%
Intellectual property	10

2. Financial fixed assets

	03-31-2016	03-31-2015
	€	€
Subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	-	-
Lloyd Beteiligung GmbH	-	-
	-	-

	04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
Lloyd Dynamowerke GmbH & Co. KG	€	€
Account balance as per April 1	30.081.211,75	30.081.211,75
Movements	-	-
	30.081.211,75	**30.081.211,75**
Provision in connection with insolvency	-30.081.211,75	-30.081.211,75
Account balance as per March 31	-	-
Lloyd Beteiligung GmbH		
Account balance as per April 1	33.937,02	33.937,02
Movements	-	-
	33.937,02	**33.937,02**
Provision in connection with insolvency	-33.937,02	-33.937,02
Account balance as per March 31	-	-

In view of regular insolvency proceedings ongoing at Lloyd Dynamowerke GmbH & Co. KG in Bremen (Germany) and by way of precaution the investment is fully provided for. The managing board has initiated several legal steps for the recovery of the investment.

Because Lloyd Beteiligung GmbH in Bremen (Germany) is a partner of Lloyd Dynamowerke GmbH & Co. KG and also by way op precaution the investment is fully provided for.

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2016

CURRENT ASSETS

3. Receivables

	03-31-2016	03-31-2015
	€	€
Loans and advancements to subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG, shareholders' loan	**125.134,68**	125.134,68
Lloyd Dynamowerke GmbH & Co. KG, accounts receivable	**346.431,60**	346.431,60
	471.566,28	471.566,28

Because of the insolvency proceedings ongoing at Lloyd Dynamowerke GmbH & Co. KG the company can not claim repayments on the shareholders' loan and the accounts receivable as agreed upon in previous years. Provisions are made in connection with this insolvency.

Lloyd Dynamowerke GmbH & Co. KG, shareholders' loan

	04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
	€	€
Account balance as per April 1	**625.673,41**	545.673,41
Deposits	**-**	80.000,00
	625.673,41	625.673,41
Provision in connection with insolvency	**-500.538,73**	-500.538,73
Account balance as per March 31	**125.134,68**	125.134,68

Lloyd Dynamowerke GmbH & Co. KG, accounts receivable

	04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
	€	€
Account balance as per April 1	**1.732.158,00**	222.158,00
Deposits	**-**	1.510.000,00
	1.732.158,00	1.732.158,00
Provision in connection with insolvency	**-1.385.726,40**	-1.385.726,40
Account balance as per March 31	**346.431,60**	346.431,60

	03-31-2016	03-31-2015
Tax receivables	€	€
Value Added Tax	**952,00**	2.138,00
Prepaid expenses		
Prepaid expenses	**2.137,50**	2.119,50

4. Cash

ING Bank N.V., current account	**3.626,50**	18.354,98
ING Bank N.V., savings account	**388,43**	386,52
	4.014,93	18.741,50

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2016

EQUITY AND LIABILITIES

5. Shareholders' equity

	03-31-2016	03-31-2015
	€	€
Issued and paid up share capital		
2.550 ordinary shares each of a nominal value of € 100	**255.000,00**	255.000,00

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

	04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
	€	€
Share premium		
Account balance as per April 1 3	**0.720.243,55**	26.579.243,55
Share premium paid on new issued shares	-	4.141.000,00
Account balance as per March 31	**30.720.243,55**	30.720.243,55
Other reserves		
Account balance as per April 1	**-29.650.867,71**	2.631.046,08
Net result	**-147.675,64**	-32.281.913,79
Account balance as per March 31	**-29.798.543,35**	-29.650.867,71

6. Long-term liabilities

Debts to banks

	04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
	€	€
Loan from ICICI Bank Canada		
Account balance as per April 1	-	2.550.000,00
Redemptions	-	-2.550.000,00
Account balance as per March 31	-	-
Book value as per March 31	-	-

The loan was granted in September 2008 for a six year period. Redemption is agreed upon in 20 equal quarterly instalments of € 850.000,00 commencing from December 2009 until September 2014. An amount of € 3.400.000,00 is to be redeemed within 12 months after balance sheet date. The interest rate is calculated at 3 months LIBOR plus 2 percent and stated in euro. The bank loan is secured by pledge of shares of the company and its subsidiaries and is backed by a Standby Letter of Credit from ICICI Bank Limited in India. During this financial year the loan was fully paid off and the ICICI Bank Canada has confirmed this full repayment in December 2014. The bank has released the pledge of shares of the company and its subsidiaries including the Standby Letter of Credit from ICICI Bank Ltd. India.

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2016

7. Current liabilities

	03-31-2016	03-31-2015
	€	€
Accounts payable		
Accounts payable to creditors	**19.197,26**	2.638,74
Accruals and deferred liabilities		
Accruals		
Audit fee	**4.000,00**	7.500,00
Legal expenses, consultancy charges and tax matters	**200,00**	8.720,72
Loan Kirsons Trading Pte Ltd. (Singapore)	**167.573,25**	167.329,98
	171.773,25	183.550,70

NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2015 TILL MARCH 31, 2016

		04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
		€	€
8.	**Depreciation costs**		
	Intangible fixed assets	127.000,00	127.000,00
	Operating costs		
9.	**General expenses**		
	Legal service costs	-	344,69
	Tax advise, VAT and corporate tax	**2.178,89**	5.757,59
	Audit fee	**4.000,00**	7.657,50
	Trust service costs	**10.416,09**	11.195,73
	Professional charges	**3.534,00**	59.470,11
	Other expenses	**-1,85**	-
		20.127,13	84.425,62
10.	**Financial result**		
	Interest income and related revenues	**7.751,57**	9,78
	Interest expenses and related expenses	**-8.300,08**	-74.087,34
		-548,51	-74.077,56
	Interest income and related revenues		
	Exchange gain loan from Kirsons Trading Pte Ltd. (Singapore)	**7.749,66**	-
	Interest income	**1,91**	9,78
		7.751,57	9,78
	Interest expenses and related expenses		
	Interest loan from ICICI Bank Canada	-	-31.239,06
	Interest loan from Kirsons Trading Pte Ltd. (Singapore)	**-7.992,93**	-8.246,21
	Exchange loss loan from Kirsons Trading Pte Ltd. (Singapore)	-	-34.083,77
	Bank charges	**-307,15**	-518,30
		-8.300,08	-74.087,34

		04-01-2015 till 03-31-2016	04-01-2014 till 03-31-2015
		€	€
11.	**Taxation**		
	Foreign withholding tax written off	-	5.005,29
	Extraordinary losses		
12.	**Extraordinary losses**		
	Provision investment Lloyd Dynamowerke GmbH & Co. KG	-	-30.081.211,75
	Provision investment Lloyd Beteiligung GmbH	-	-33.937,02
	Provision shareholders' loan Lloyd Dynamowerke GmbH & Co. KG	-	-500.538,73
	Provision accounts receivable Lloyd Dynamowerke GmbH & Co. KG	-	-1.385.726,40
		-	-32.001.413,90

Amsterdam, May 20, 2016

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

To the Managing Board of Directors

1. AUDITOR'S REPORT

Management's responsibility

We have audited the accompanying financial statements for the year ended March 31, 2016 of Kirsons B.V. in Amsterdam (Netherlands), which comprise the balance sheet as at March 31, 2016 and the profit and loss account for hte period April 1, 2015 till March 31, 2016 and the notes, comprising a summary of the accounting policies and other explanatory information.

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

Auditor's report

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

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

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

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2016 and of its result for the period April 1, 2015 till March 31, 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Oostzaan, May 20, 2016

Ozlo Accountants

Drs. Gerrit C. Groen RA

2. Statutory rules concerning the appropriation of the profit

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

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

3 Processing of the loss for the financial year 2015-2016

According to Dutch legislation the loss of € 148.423,16 has to be deducted from the other reserves. This deduction has already been accounted for in the financial statements.

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KIRLOSKAR ELECTRIC COMPANY LTD.
Industrial Suburb, Rajajinagar
Bengaluru – 560 010