KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE
CIN:L31100KA1946PLC000415
REGD OFFICE: INDUSTRIAL SUBURB, RAJAJINAGAR, BANGALORE - 560 010.

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2017

(₹ in Lakhs)

Sl No	Particulars	Standalone				
		Quarter ended			Nine months ended	
		December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	INCOME FROM OPERATIONS:					
I	Revenue from Operations	8,292	8,369	15,635	26,989	45,924
II	Other income	332	361	473	1,166	2,130
III	**Total Revenue (I+II)**	**8,624**	**8,730**	**16,108**	**28,155**	**48,054**
IV	**Expenses:**					
a	Cost of materials consumed	6,172	4,274	10,500	19,349	30,778
b	Change in inventories of finished goods, work in progress and stock in trade	355	2,234	616	1,227	740
c	Excise duty	-	-	1,311	889	4,111
d	Employee benefit expense	1,729	1,802	1,760	5,385	5,408
e	Finance costs	811	838	1,011	2,433	2,949
f	Depreciation and amortisation expenses	261	265	279	802	837
g	Other expenses	1,314	1,634	1,838	4,794	5,317
	Total expenses	**10,642**	**11,047**	**17,315**	**34,879**	**50,140**
V	**Profit / (loss) before exceptional and extra ordinary items and tax (III-IV)**	**(2,018)**	**(2,317)**	**(1,207)**	**(6,724)**	**(2,086)**
VI	Exceptional items (net of tax expense)	-	-	-	-	
VII	**Profit / (loss) before extra ordinary items and tax (V-VI)**	**(2,018)**	**(2,317)**	**(1,207)**	**(6,724)**	**(2,086)**
VIII	Extraordinary Item (net of tax expense)	-	-	-	-	
IX	**Profit / (loss) before tax (VII+VIII)**	**(2,018)**	**(2,317)**	**(1,207)**	**(6,724)**	**(2,086)**
X	Tax expense:					
a	Current Tax	-	-	-	-	-
b	Deferred tax	-	-	-	-	-
XI	**Profit / (loss) after tax from continuing operations**	**(2,018)**	**(2,317)**	**(1,207)**	**(6,724)**	**(2,086)**
	Other comprehensive income					
	(I) Items that will not be reclassified to profit or loss					
	a) Remeasurements of the defined benefit plans	(2)	(2)	(6)	(6)	(18)
	b) Taxes on above	2	-	2	2	6
	(ii) Items that may be reclassified to profit or loss			-		
	a) Mark to Market of Investments	2	1	-	2	-
	b) Taxes on above	(1)	-		(1)	-
	Total other comprehensive income	**1**	**(1)**	**(4)**	**(3)**	**(12)**
	Total comprehensive income for the period	**(2,017)**	**(2,318)**	**(1,211)**	**(6,727)**	**(2,098)**
	Paid-up equity share capital (face value of Rs. 10/- each)	**6,641**	**6,641**	**6,641**	**6,641**	**6,641**
	Earnings per share(EPS) (face value of Rs. 10/- each)					
a	Basic EPS before extra ordinary items (not annualised)	(3.04)	(3.49)	(1.82)	(10.12)	(3.48)
b	Diluted EPS before extra ordinary items (not annualised)	(3.04)	(3.49)	(1.82)	(10.12)	(3.48)
c	Basic EPS after extra ordinary items (not annualised)	(3.04)	(3.49)	(1.82)	(10.12)	(3.48)
d	Diluted EPS after extra ordinary items (not annualised)	(3.04)	(3.49)	(1.82)	(10.12)	(3.48)

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

ASHOK KUMAR, PRABHASHANKAR & CO. CHARTERED ACCOUNTANTS BENGALURU

REVENUES, RESULTS, ASSETS, LIABILITIES AND CAPITAL EMPLOYED FOR THE SEGMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2017

(₹ in Lakhs)

Sl No	Particulars	Standalone				
		Quarter ended			Nine months ended	
		December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
1	**Segment Revenues**					
	Power generation/ distribution	3,755	3,489	8,243	13,108	25,813
	Rotating machines	4,258	4,759	7,435	13,527	20,597
	Others	335	207	247	732	994
	Total	**8,348**	**8,455**	**15,925**	**27,367**	**47,404**
	Less: Inter segment revenues	56	86	290	378	1,480
	Revenue from operations	**8,292**	**8,369**	**15,635**	**26,989**	**45,924**
2	**Segment Results**					
	Profit / (loss) before interest and tax expense					
	Power generation/ distribution	(245)	(674)	128	(695)	812
	Rotating machines	(756)	(1,237)	(14)	(2,488)	49
	Others	114	33	36	200	308
	Total	**(887)**	**(1,878)**	**150**	**(2,983)**	**1,169**
	Less: Interest	811	838	1,011	2,433	2,949
	Less: Other unallocable expenditure (net off unallocable Income)	320	(399)	346	1,308	306
	Total profit /(loss) before tax expense	**(2,018)**	**(2,317)**	**(1,207)**	**(6,724)**	**(2,086)**
3	**Segment Assets**					
	Power generation/ distribution	11,080	11,802	14,355	11,080	14,355
	Rotating machines	28,667	30,341	29,474	28,667	29,474
	Others	7,106	7,235	6,818	7,106	6,818
	Total	**46,853**	**49,378**	**50,647**	**46,853**	**50,647**
	Add Unallocable Assets	29,807	28,655	36,725	29,807	36,725
	Total Segment Assets	**76,660**	**78,033**	**87,372**	**76,660**	**87,372**
4	**Segment Liabilities**					
	Power generation/ distribution	9,646	9,437	12,647	9,646	12,647
	Rotating machines	10,975	10,815	11,626	10,975	11,626
	Others	478	497	559	478	559
	Total	**21,099**	**20,749**	**24,832**	**21,099**	**24,832**
	Add Unallocable Liabilities	34,402	34,109	32,905	34,402	32,905
	Total Segment Liabilities	**55,501**	**54,858**	**57,737**	**55,501**	**57,737**
5	**Capital Employed (Segment Assets-Segment Liabilities)**					
	Power generation/ distribution	1,434	2,365	1,708	1,434	1,708
	Rotating machines	17,691	19,526	17,848	17,691	17,848
	Others	6,628	6,738	6,258	6,628	6,258
	Total capital employed in segments	**25,753**	**28,629**	**25,814**	**25,753**	**25,814**
	Add: Unallocated	(4,594)	(5,454)	3,821	(4,594)	3,821
	Total capital employed	**21,159**	**23,175**	**29,635**	**21,159**	**29,635**

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

ASHOK KUMAR, PRABHASHANKAR & CO. BENGALURU CHARTERED ACCOUNTANTS

Notes:

1 The above unaudited financial results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on February 12, 2018.

2 The unaudited financial results of the Company for the quarter and nine months ended December 31, 2017 have been subject to limited review by the Statutory auditors.

3 The Company has adopted Indian Accounting Standards ("Ind AS") for the current period and accordingly, these unaudited financial results have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with the relevant rules issued thereunder and the other accounting principles generally accepted in India.

4 The Ind AS financial results and financial information for the quarter and nine months ended December 31, 2016 have not been subjected to any limited review or audit as per exemption given in SEBI circular no. CIR/CFD/FAC/62/2016 dated July 05, 2016. However, the management has exercised necessary due diligence to ensure that the financial results provide a true and fair view of the results in accordance with Ind AS.

5 The preparation of these financial results in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, and capital employed. The changes required due to application of Ind AS on retained earnings as well on current year/comparitives' profits/losses have been provisionally assessed and carried out. Accordingly, judgements, estimates and assumptions made in preparing these financial statements and comparatives may require further adjustments that may be necessary due to fresh evidence/facts and interpretations of MCA/ICAI that may be observed/received at the time of finalization of annual financial statements for the year ending on March 31, 2018.

6 The adoption of Ind AS have necessitated changes in the accounting, recognition and measurement criteria of various items of income and expenditure. The reconciliation of the financial results as reported under previous GAAP with those restated as per Ind AS for the quarter and nine months ended December 31, 2016 is as under:

₹ In lakhs

Particulars	Quarter ended	Nine months ended
	31-Dec-16	31-Dec-16
Net profit/(loss) as per previous GAAP	(1,233)	(2,332)
Add/(less):		
Fairvalue adjustments on receivables of subsidiary	378	1,098
Expected credit loss recognized on trade receivables & probable sales returns	(129)	(397)
Fairvalue adjustments of warranty provision	(51)	(48)
Fairvalue adjustments of retention money	(77)	(121)
Expected credit loss recognized on dues from subsidiaries	(125)	(375)
Recognition of guarantee commission	25	74
Fairvalue adjustment of security deposits	(1)	(3)
Reclassification of remeasurement of employee benefits	6	18
Net profit / (loss) as per Ind AS	**(1,207)**	**(2,086)**
Other Comprehensive Income (net of tax)	(4)	(12)
Total Comprehensive Income	**(1,211)**	**(2,098)**

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

ASHOK KUMAR, PRABHASHANKAR & CO. BENGALURU CHARTERED ACCOUNTANTS

7 As a measure of restructuring and with the consent of a Lending Bank and other Lending banks under the Joint Lender Forum (JLF) mechanism, the Company had transferred in the year ended March 31, 2015 certain assets comprising of immovable properties, receivables and inventory to its subsidiaries - Kelbuzz Trading Private Limited, SKG Terra Promenade Private Limited and SLPKG Estate Holdings Private Limited, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts (bank dues) transferred by the Company. The amounts outstanding and due from the subsidiaries as at December 31, 2017 in respect of the transfer of the assets as mentioned above, other expenses incurred by the subsidiaries reimbursed by the Company and interest charged totally amounts to ₹14,148.20 lakhs (₹13,143.08 lakhs as at December 31, 2016) after considering Ind AS adjustments. These subsidiaries are taking active steps to repay the dues of the Company from collection of debts (receivables) assigned and from disposal of immovable properties / inventories transferred apart from debts (bank dues) transferred / to be transferred as referred above. The Board of Directors are confident of recovering all dues. However, based on expected credit losses as prescribed under Ind AS as against the incurred loss model envisaged under earlier GAAP, a sum of ₹2,736 lakhs has been provided as at December 31, 2017.

8 The net worth (after excluding revaluation reserve) of the group in terms of the consolidated financial statements as at March 31, 2017 consisting of the Company, its subsidiaries and its associate is eroded. The Company has incurred losses for the quarter under review and its net worth is eroded. There were certain overdues in respect of banks and creditors. The Company and its components have initiated several measures like 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 operations, introduction of value added products, push for sales, optimization in product mix and enhanced contribution, capital raising plans etc. The Company is in advanced stage of negotiation for funding arrangements with various parties which will improve the performance in forthcoming periods. The Company is confident that this funding arrangement will have a positive impact on the net worth of the Company. Accordingly, your directors have prepared these financial results 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.

9 a. The Company has filed before the honorable Supreme Court, special leave petition (SLP) 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. This SLP has been admitted by the honorable Supreme Court.

b. The Company also approached the Karnataka Sales tax authorities seeking settlement of the Sales tax penalty referred to above under 'Karasamadhana Scheme 2017'(Scheme) which involves settlement of the matter by payment of 10% of the amount of penalty and withdrawing the appeal before the honorable Supreme Court. However, the same could not be resolved due to certain interpretation issues of the Scheme and demand for certain amount as further tax payment without considering the amounts already paid by the Company. Consequently, the Company has filed a writ petition in the honorable High Court of Karnataka challenging the scheme on grounds of discrimination and seeking specific reliefs.

c. The Company received a reassessment order under Karnataka Value Added Tax Act, 2003 ("KVAT") in an earlier year for the period April 2009 to March 2010 essentially denying input credit and making certain other disallowances and consequently, raised a demand of ₹893 lakhs. According to the Company the said order was passed based on incorrect interpretation of law. The Company was legally advised that the said order is not sustainable and consequently a writ petition was filed in the honorable High Court of Karnataka seeking relief from the said order and quashing of the same. The honorable High Court of Karnataka disposed the writ petition made by the company on January 10, 2018 and has passed the order setting aside for passing the fresh order in accordance with the law by the assessing authorities.

Under the above circumstances, 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.

10 Goods and Service Tax (GST) has been implemented w.e.f., July 01, 2017 and therefore the revenue from operations from July 1, 2017 to December 31, 2017 is net of GST. The Revenue from operations and expenses for the previous periods are inclusive of excise duty and hence not comparable with the corresponding figures for the quarter and nine months ended December 31, 2017.

11 Previous period figures have been regrouped wherever necessary to confirm with current period presentation

Place: Bengaluru
Date: February 12, 2018

(Vijay R Kirloskar)
Executive Chairman

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

ASHOK KUMAR, PRABHASHANKAR & CO. CHARTERED ACCOUNTANTS BENGALURU

ASHOK KUMAR, PRABHASHANKAR & CO.
CHARTERED ACCOUNTANTS
S-2, Narayana, 25, Mission Road, Shama Rao Compound
Bengaluru - 560 027. India
Telefax: +91-80-22237045, +91-80-22241284
e-mail: knp@akpco.com

Limited Review Report

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

We have reviewed the accompanying statement of unaudited financial results of **Kirloskar Electric Company Limited ("the Company")** for the quarter and nine months ended 31st December 2017, being submitted by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 05, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the unaudited financial statements based on our review.

We conducted our review in accordance with the Standards on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Basis of Qualified Opinion:

Attention of the Directors is invited to note 7 to the unaudited financial results regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immovable properties, interest charged and expenses reimbursed. We have relied on the representation that it is confident of realization of amounts due to the said subsidiaries aggregating to Rs.14,148.20 lakhs against which provision is recognized for an amount of Rs.2,736 lakhs. Pending disposals/realization of assets by the subsidiaries, shortfall in realization of the amount outstanding (net of provision), if any, could not be ascertained.

Based on our review conducted as above except in respect of matters stated in the paragraph on "Basis of Qualified Opinion" and read with note 5 to the unaudited financial results, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results prepared in accordance with the applicable Indian Accounting Standards (Ind AS) as specified under Section 133 of the Companies Act 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 05, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter:

Without modifying our opinion, we invite the attention of the directors to:

a) Note 8 of the unaudited financial results, where the Company has detailed the reasons for preparing these unaudited financial results on a going concern basis, though the Company/Group (consisting of the Company, its subsidiaries and associate) have incurred losses and their net worth is eroded. There are certain overdue payments to creditors and banks. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds, with its attendant uncertainties. We have relied on the representation made by the Company.

b) Note 9.a of the unaudited financial results, which states that the Company has filed Special Leave Petition in respect of demands of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs before the honorable Supreme Court of India.

c) Note 9.c of the unaudited financial results, which states that the Company had filed a Writ Petition in the honorable High Court of Karnataka challenging the demand of Karnataka Value Added Tax, 2003 of Rs.893 lakhs and on January 10, 2018 the Writ Petition was disposed by the honorable High Court of Karnataka by setting aside the reassessment order and passed the order to make a fresh order in accordance with the law by the assessing authorities.

   In respect of both the matters detailed in paragraph (b) and (c) above, 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 such representations.

Other Matters:

Attention is drawn to notes 3 and 4 of the unaudited financial results which state that the Company has adopted Ind AS for the current period and accordingly, the statements has been prepared by the Company's management in compliance with Ind AS. Further, we have not reviewed the figures reported for the quarter and nine months ended December 31, 2016.

For Ashok Kumar, Prabhashankar & Co.,
Chartered Accountants
Firm Regn. No. 004982S

A.Umesh Patwardhan
Partner
M. No. 222945

Place: Bengaluru
Date: February 12, 2018