KIRLOSKAR ELECTRIC COMPANY LTD.

End-to-end presence in electrical engineering

67th

Annual Report

2013 - 14

(ABRIDGED)

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

CIN: L85110KA1946PLC000415

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KIRLOSKAR ELECTRIC COMPANY LTD.

BOARD OF DIRECTORS	Vijay R. Kirloskar	– *Executive Chairman*
	A.S.Lakshmanan	
	S.N.Agarwal	
	Anil Kumar Bhandari	
	Sarosh J Ghandy	
	V.P.Mahendra	
	Kamlesh Gandhi	
	K.Ganesh	– *(LIC's Nominee)*
	Meena Kirloskar	
	Vinayak Narayan Bapat	– *Managing Director*
	Anand B Hunnur	– *Director – Sales*
GENERAL MANAGER (LEGAL) & COMPANY SECRETARY	K.S.Swapna Latha	
AUDITORS	B.K.Ramadhyani & Co. Bangalore	
BANKERS	Bank of India	
	Axis Bank	
	State Bank of Travancore	
	State Bank of Mysore	
	State Bank of Hyderabad	
	ICICI Bank Ltd.	
	Corporation Bank	
	Bank of Commerce, Kualalumpur(Malaysia)	
REGISTERED OFFICE	Industrial Suburb, Rajajinagar, Bangalore – 560 010 CIN: L85110KA1946PLC000415	
FACTORIES	Survey No.16,Govenahalli, Thyamagondlu Hobli, Nelamangala Taluk, Bangalore Rural Dist -562 123	
	Gokul Road, Hubli – 580 030	
	Belvadi Industrial Area, Mysore – 570 018	
	Hirehalli Industrial Area, Tumkur Road, Tumkur – 572 168	
	Survey No.81/3, Kachenahalli, Budihal, Nelamanagala Taluk, Bangalore Rural – 562 123	
	GAT No. 309,315,317 & 318, Opp Govt Milk Dairy, Kondhapuri, Dt.Pune – 411 209	
	NH-6,Jaladhulagori P.O-DhulagorI, PS –Sankrail, Howrah -711 302	
	Sy.No.16/1, Gabbur Village, P B Road, Hubli – 580 028	

Dear Shareholders,

The year 2013-14 continued to be another challenging year. The growth of Indian economy has been going down gradually for the last 5 consecutive quarters at below 5% growth. Industrial growth has been badly affected and is estimated to be a mere 0.7% in FY 2014 with manufacturing sector actually shrinking by 0.2%.

This environment is clearly reflected in the developments of core sectors of Indian economy and especially in the manufacturing sector. In such times, the Country needs a push from its government to infuse investments and rekindle growth. Now that elections are over, there is much expectation from the new government. Already the stock markets have displayed positive expectations. I believe the economic turnaround is under way but the recovery will be gradual and the Country is still a few years away from attaining the high growth trajectory.

With the above economic conditions, naturally your Company's business was also adversely affected. We have acknowledged the need to think differently in these trying times. Our Transformer Division which accounts for the largest part of our business has been the worst hit. To address this we have tried to access different markets and new areas of growth. We have made export breakthroughs in Thailand, Indonesia, Korea, Turkey, UK and other middle Asian Countries. We have received significant export orders for AC Motors from Steel plants and Cement Industries. In Domestic front also we have got huge orders from Indian Railways and repeat orders from satisfied customers including big corporates. In the past, most of our business has been generated from Motors, Transformers and PGG. We are re-structuring our methods to make sure that we explore all possibilities of growth in these areas. The sales force has been realigned to meet the expectation of the market. While in this difficult market, we are adopting all possible measures to mitigate the losses, at a time when there is pressure in terms of lower demand, high cost of inventory, increase in interest burden, lower turnover and increase in cost of employees. Your Company is taking continuous steps to overcome these challenges by improving efficiency, productivity, enhancing execution capability and skills of human resources by continuous process of learning and development but at the same time its impact can also be seen in short term.

n these difficult times, the Company has looked inwards and is trying to emerge even stronger to further strengthen its competitive positioning in the next few years. It is the beginning of a long path. It is a difficult task, yet I am seeing changes and can expect better days ahead.

The strategies that Company is adopting for healthy growth such as use of capital sparingly & efficiently, realigning supply chain and procurement, reduction in material cost through central procurement, to improve operational efficiency and reduce waste, focus on export of high revenue generating products and diversification on the customer base.

Several measures were initiated during last year to improve the performance of Lloyd Dynamowerke GmbH & Co KG (LDW), the step down subsidiary of your Company. LDW is operating in difficult economic environment which was prevailing in Euro zone. LDW is not an exception to this and it is passing through one of the most challenging times and it is expected that it will show considerable progress in the coming years.

We believe in building relationships through trust and faith in a manner which is totally transparent. We respect the rights and dignity of the human being and believe in every individual's limitless ability to excel.

I express my sincere thanks to shareholders, lenders, bankers, financial institutions, vendors, customers and all other stake holders. I express my sincere thanks to the employees of the Company for their active involvement and support during the hard times.

Vijay R Kirloskar
Executive Chairman

NOTICE

NOTICE is hereby given that the SIXTY SEVENTH ANNUAL GENERAL MEETING of the Members of KIRLOSKAR ELECTRIC COMPANY LIMITED will be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore – 560 003 on Tuesday the 30th September, 2014 at 10.00 AM to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended 31st March, 2014 together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr.A.S.Lakshmanan, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s. B K Ramadhyani & Co., Chartered Accountants, Bangalore (Registration No.002878S), being the Statutory Auditors and M/s. Sundar & Associates, Chartered Accountants, Selangar Darul Ehsan, Malaysia, being the Branch Auditors for the branch office at Malaysia, are the retiring Auditors who are seeking re-appointment.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:**

   RESOLVED THAT Mr.K.Ganesh (DIN 05160176), who was appointed as an Additional Director on 30th September, 2013 and who holds office upto the date of this meeting and in respect of whom the Company has received a notice in writing from a member as per provisions of Section 160 of Companies Act, 2013, signifying his intention to propose the candidature of Mr.K.Ganesh as a Director be and is hereby appointed as Director of the Company whose period of office shall be liable to retire by rotation.

5. **To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:**

   RESOLVED THAT Mr. Vinayak Narayan Bapat (DIN 06936639), who was appointed as an Additional Director on 12th August, 2014 and who holds office upto the date of this meeting and in respect of whom the Company has received a notice in writing from a member as per provisions of Section 160 of Companies Act, 2013, signifying his intention to propose the candidature of Mr. Vinayak Narayan Bapat as a Director be and is hereby appointed as Director of the Company.

6. **To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:**

   RESOLVED THAT Mr. Anand B Hunnur (DIN 06650798) who was appointed as an Additional Director on 12th August, 2014 and who holds office up to the date of this meeting and in respect of whom the Company has received a notice in writing from a member as per provisions of Section 160 of Companies Act, 2013, signifying his intention to propose the candidature of Mr. Anand B Hunnur as a Director be and is hereby appointed as Director of the Company.

7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

   RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with Schedule IV to the Companies Act, 2013, Mr. S.N.Agarwal (DIN 00111187), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**:

   RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with Schedule IV to the Companies Act, 2013, Mr. Sarosh J Ghandy (DIN 00031237), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section 160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

9. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**:

   RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with Schedule IV to the Companies Act, 2013, Mr. Anil Kumar Bhandari (DIN 00031194), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section 160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

10. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

    RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with

Schedule IV to the Companies Act, 2013, Mr. V.P.Mahendra (DIN 00033270), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section 160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with Schedule IV to the Companies Act, 2013, Mr. Kamlesh Gandhi (DIN 00033270), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section 160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder (including any statutory modification(s) or re-enactment thereof) read with Schedule IV to the Companies Act, 2013, Mr. Ram J Shahaney (DIN 00011606), in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for appointment as Independent Director as per the provisions of Section 160 of Companies Act, 2013, be and is hereby appointed as Independent Director of the Company for a period of five years from the date of this Annual General Meeting, not liable to retire by rotation.

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

RESOLVED THAT in supersession of the Ordinary Resolution adopted at the 62nd Annual General Meeting held on 24th September, 2009 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s)or re-enactment thereof for the time being in force), consent of the Company be and is hereby granted to the Board of Directors 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 (apart from temporary loans from the Company's bankers in the ordinary course of business) and that all such borrowings accordingly made shall be valid and effectual and binding on the Company.

14. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 (Act) and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), the remuneration of the cost auditors for conducting the audit of the cost records of the Company for the financial year ending March 31, 2015 as approved by the Board of Directors of the Company will be put to the shareholders for ratifications by the next Annual General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

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

RESOLVED THAT pursuant to the provisions of Sections 73 and 76 read with Companies (Acceptance of Deposit) Rules, 2014 and all other applicable provisions, if any, of the Companies Act, 2013 (Act) including any statutory modifications or any amendments or any substitution or re-enactment thereof, if any, for the time being in force, the consent of the Company be and is hereby accorded to the Board of Directors of the Company 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, whether the same may be secured or unsecured and if secured, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever and appointment of trustee for depositors and obtain credit rating from credit rating agencies and extent of deposit insurance from insurance company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board of Directors of the Company be and is hereby authorised to take all such actions and to do all such acts, deeds, matters and things as may be necessary and/or expedient in that behalf.

RESOLVED FURTHER THAT Mr.Vijay R Kirloskar, Executive Chairman of the Company be and is hereby authorised to take all such acts, deeds and things which may be necessary to give effect to the aforesaid resolution.

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

RESOLVED THAT pursuant to Sections 196, 197, 198, 200 and other applicable provisions, if any, of the

Companies Act, 2013 and Schedule V thereto and further subject to the approval of Central Government, consent of the Company be and is hereby accorded to the 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 as set out below:

a. Salary: Rs.20,00,000 p.m. (Rupees Twenty Lakhs) with power to the Board of Directors to revise and fix the salary from time to time upto a sum not exceeding Rs.25,00,000 p.m. (Rupees Twenty Five Lakhs).

b. Perquisites and Allowances

1. The Executive Chairman shall be entitled to perquisites like rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, Re-imbursement of water, Gas and Electricity bills at residence, medical expenses for self and his family including dependents and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of Rs.26,00,000 p.a. and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance.

   Explanation

   "Family" here means the spouse, dependent children of the Executive Chairman.

   For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

   Use of Company's Car for official purposes and Telephone at residence and Cell Phone (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

   Apart from the re-imbursement of ordinary medical expenses, in case of hospitalisation of the Executive Chairman, the Board of Directors shall have the discretion to re-imburse the actual expenses incurred by him including on travel, notwithstanding that the total perquisites will exceed the limit of Rs.26,00,000 p.a. in any financial year.

2. Contribution to Provident Fund and to Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

3. Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income Tax Act.

4. The Executive Chairman shall be entitled to reimbursement of all expenses incurred by him in connection with the business of the Company.

RESOLVED FURTHER THAT pursuant to Section 197 and all other applicable provisions of the Companies Act, 2013, where in any financial year during the currency of tenure of the appointment, the Company has no profits or its profits are inadequate, salary of Rs.20,00,000 p.m. (Rupees Twenty Lakhs only) shall be payable to Mr. Kirloskar as minimum remuneration apart from Contribution to Provident Fund, Superannuation Fund and Gratuity payable at the end of the tenure.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do or cause to be done, all such acts, deeds and things as they may think necessary or expedient for the purpose of giving effect to this resolution and to settle all questions and matters arising out of and incidental to the proposed appointment.

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

RESOLVED THAT pursuant to Sections 196, 197, 198 and other applicable provisions, if any, of the Companies Act, 2013 and Schedule V thereto, consent of the Company be and is hereby accorded to the 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 as set out below:

a. Salary:

Rs.19,65,000 p.a (Rupees Nineteen Lakhs Sixty Five Thousand) with power to the Board of Directors to revise and fix the salary from time to time upto a sum not exceeding Rs.25,00,000 p.a.(Rupees Twenty Five Lakhs)

b. Perquisites and Allowances:

1. The Managing Director shall be entitled to perquisites like rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, Re-imbursement of water, Gas and Electricity bills at residence, medical expenses for self and his family including dependents and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of Rs.34,10,000 p.a. (Rupees Thirty Four Lakhs Ten Thousand) and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance.

   Explanation

   "Family" here means the spouse, dependent children, dependent Parents of the Managing Director.

   For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

   Use of Company's Car for official purposes and Telephone at residence and Cell Phone (including

payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Apart from the re-imbursement of ordinary medical expenses, in case of hospitalisation of the Managing Director the Board of Directors shall have the discretion to re-imburse the actual expenses incurred by him including on travel, notwithstanding that the total perquisites will exceed the limit of Rs.34,10,000 p.a. in any financial year.

2. Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
3. Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income Tax Act.

The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.

RESOLVED FURTHER THAT pursuant to the Article 160 of the Articles of Association of the Company read with section 152 of the Companies Act, 2013, Mr. Vinayak Narayan Bapat shall not be liable to retire by rotation so long as he continues as Whole-time director, unless he is required to retire by rotation in terms of the Article 160 of the Articles of Association of the Company so as to meet the requirements of the section 152 of the Companies Act, 2013.

RESOLVED FURTHER THAT pursuant to Section 197 and all other applicable provisions of the Companies Act, 2013, the remuneration as set out above, be paid to Mr. Vinayak Narayan Bapat during the term of his office, despite the company incurring loss or profits of the company being inadequate to pay such a remuneration during the term of his office.

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

RESOLVED THAT pursuant to Sections 196, 197, 198 and other applicable provisions, if any, of the Companies Act, 2013 and Schedule V thereto, consent of the Company be and is hereby accorded to the 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 as set out below:

a. Salary:

Rs.12,90,000 p.a(Rupees Twelve Lakhs Ninety Thousand) with power to the Board of Directors to revise and fix the salary from time to time upto a sum not exceeding Rs. 15,00,000 p.a.(Rupees Fifteen Lakhs)

b. Perquisites and Allowances:

1. The Director - Sales shall be entitled to perquisites like rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, Re-imbursement of water, Gas and Electricity bills at residence, medical expenses for self and his family including dependents and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of Rs.23,00,000 p.a.(Rupees Twenty Three Lakhs) and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance.

Explanation

"Family" here means the spouse, dependent children, dependent Parents of the Director - Sales

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

Use of Company's Car for official purposes and Telephone at residence and Cell Phone (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Apart from the re-imbursement of ordinary medical expenses, in case of hospitalisation of the Director - Sales, the Board of Directors shall have the discretion to re-imburse the actual expenses incurred by him including on travel, notwithstanding that the total perquisites will exceed the limit of Rs.23,00,0000 p.a.in any financial year.

2. Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
3. Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income Tax Act.

The Director – Sales shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.

RESOLVED FURTHER THAT pursuant to the Article 160 of the Articles of Association of the Company read with section 152 of the Companies Act, 2013, Mr. Anand B Hunnur shall not be liable to retire by rotation so long as he continues as Whole-time director, unless he is required to retire by rotation in terms of the Article 160 of the Articles of Association of the Company so as to meet the requirements of the section 152 of the Companies Act, 2013.

RESOLVED FURTHER THAT pursuant to Section 197 and all other applicable provisions of the Companies Act, 2013, the remuneration as set out above, be paid to Mr. Anand B Hunnur during the term of his office, despite the company incurring loss or profits of the company being inadequate to pay such a remuneration during the term of his office.

NOTES:

(a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.**

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

(b) The Statement of Material facts pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.

(c) Documents relating to any of the items mentioned in the Notice and the Statement of Material facts pursuant to section 102 of the Companies Act, 2013 thereto are open for inspection at the Registered Office of the Company on any working day during business hours.

(d) **Members requiring information on the accounts and operations of the Company are requested to write/ email to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.**

(e) Members holding shares either singly or jointly in identical order in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one folio.

(f) Members are requested to notify immediately of any change in their address to the Company. Members holding shares in the electronic form are advised to notify any change in their address to the concerned depository participants.

(g) Members desirous of making a nomination in respect of their physical shareholdings in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to submit the prescribed Form SH-13 duly completed to the Company's Registrar and Transfer Agent/Secretarial Department of the Company. In respect of shares held in electronic /demat form, the nomination form may be filed with respective Depository Participant.

(i) Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.

(j) **Members are requested to bring their copy of the Annual Report to the Annual General Meeting.**

(k) **Members are requested to update their E-mail ID with their respective Depository Participants and with Company's registrar and transfer agent (RTA) to enable dispatch the communication in electronic form from time to time.**

(l) Electronic copy of the Annual Report for the year ended 31st March 2014 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for the year ended 31st March 2014 is being sent in the permitted mode.

(m) Electronic copy of the Notice of the 67th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 67th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

(n) Members may also note that the Notice of the 67th Annual General Meeting and the Annual Report for the year ended 31st March 2014 will also be available on the Company's website www.kirloskar-electric.com and CDSL's website: www.cdslindia.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Bangalore for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investors@kirloskar-electric.com.

(o) The share transfer books and Register of Members of the Company will remain closed from Tuesday, the 23rd September, 2014 to Tuesday, the 30th September, 2014 (both the days inclusive).

(p) Voting through electronic means.

Pursuant to the provisions of section 108 of the Companies Act, 2013, Rule 20 of Companies (Management and Administration) Rules, 2014, and clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote in respect of resolutions which are being considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Central Depository Services (India) Limited (CDSL). Mr.V.Karthick, Practicing Company Secretary (C. P.No. 4680) has been appointed as scrutinizer in this regard.

Procedure / Instructions for e-voting are as under :

(i) The voting period will begin on 25th September, 2014 (from 9.00 A.M) and will end on 27th September, 2014 (up to 6.00 P.M). During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 29th August, 2014 , may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting website www.evotingindia.com during the voting period.

(iii) Click on “Shareholders” tab.

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login.

(vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)•Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field.• In case the folio number is less than 8 digits enter the applicable number of 0’s before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the dividend bank details as recorded in your Demat account or in the company records for the said demat account or folio.Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with Depository Participant or Company, please enter the number of shares held by you as on the cut off date in the Dividend Bank Details field

(viii) After entering these details appropriately, click on “SUBMIT” tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN of KIRLOSKAR ELECTRIC COMPANY LIMITED on which you choose to vote.

(xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Institutional Shareholders

- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to https://www.evotingindia.co.in and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details , a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com or call toll free no.18002005533.

(xxi) The results of the e-voting along with the scrutinizer's report shall be placed in the Company's website www.kirloskar-electric.com and on the website of CDSL www.cdslindia.com within two days of passing of the resolution at the AGM of the Company. The results will also be communicated to the stock exchanges where the shares of the Company are listed.

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

A. Mr.A.S.Lakshmanan, a graduate in Electrical Engineering from Loughborough University, London, who is 83 years of age, has been the Chairman and Managing Director of Senapathy Whiteley Pvt. Ltd. since 1964. He was nominated by the Indian Standards Institution as an Indian Delegate to attend the International Electro-technical Commission held in Stockholm in 1977. As Chairman of the Karnataka Industries Advisory Board, he led a delegation of Industrialists to South East Asia and Far East in 1979 for promotion of Small Scale Industries. He is a "Fellow" member of the Institution of Engineers, India. He was the Chairman of Bureau of Indian Standards (ETDC 63) and also the Chairman of National Safety Council (Karnataka Chapter). He is a member of CII (Karnataka Region). He is a recipient of "Best Industrialist in Karnataka" award from the State Government (Rajyothsava Award) in 1976.

Mr. A.S.Lakshmanan is holding 19934 equity shares of Rs. 10/- each of the Company.

He is Director of the following companies:

Lakshmanan Isola Pvt. Ltd, Senapathy Symons Insulations (P) Ltd ,Golden Kitchens Pvt. Ltd, Senapathy Whiteley Pvt. Ltd, Nettur Technical Training Foundation.

B. Mr. K.Ganesh, is an Bsc.Ed, who is 54 years of age, worked as Executive Director (CRM), LIC of India, Mumbai and at present he is Zonal Manager, South Central Zone, LIC of India, Hyderabad.

Mr. K.Ganesh is holding 500 equity shares of the Company.

He is not holding any directorships in other companies.

C. Mr. Vinayak Narayan Bapat, a Chartered Accountant and Company Secretary, who is 48 years of age, was President – Operations and Finance and Chief Financial Officer of the Company since April 2014. He joined the Company as Vice President and Chief Financial Officer in 2011. Earlier he worked with Cummins Generators Technologies Ltd, Renfro India Limited and with group companies of Mahindra and Mahindra and RPG.

Mr. Bapat is holding 3650 equity shares of the Company.

He is not holding any other directorships.

D. Mr. Anand B Hunnur, is an Electrical Engineer and is also having a Post Graduate Diploma in Sales and Marketing from Bharatiya Vidya Bhavan, Bangalore, who is 53 years of age. He started his career as a Graduate Engineer and worked in Marketing Department. He worked in Emerson Electric Power Generation of India for a short stint.

Mr. Anand B Hunnur is holding 175 equity shares of the Company.

He is not holding any other directorships.

E. Mr. S.N.Agarwal, a graduate engineer and an alumni of Harvard Business School (AMP- 1985), who is 69 years of age, is the Chairman of Bhoruka Group which has diversified interests in core industries like Transportation, Steel, Power, Industrial Gases etc. He is a Member of Executive Committee – Federation of Indian Chambers of

Commerce & Industry (FICCI); Member, Management Board – Indian Institute of Health Management & Research, (IIHMR), Jaipur; Member, Court – Indian Institute of Science and Member, Board of Governors – Indian Institute of Management, Bangalore. Mr. S.N. Agarwal has served as Chairman of Steel Furnace Association of India; Confederation of Indian Industry (CII), Karnataka Region and Bangalore Chamber of Industry and Commerce (BCIC).

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

He is Director of the following companies:

Bhuruka Gases Ltd, Transport Corporation of India Ltd, TCI Industries Ltd, Bhoruka Power Corporation Ltd, Pharmed Ltd, Bhoruka Steel and Services Ltd, Bhoruka Steel Investments India Pvt. Ltd, Bhoruka Park Holdings Pvt. Ltd, Bhuruka Gases Investments India Pvt. Ltd, Bhoruka Power Investments India Pvt. Ltd ,Bhoruka Steel Holdings Pvt. Ltd, Bhoruka Cogen Power Pvt. Ltd, Bhoruka Park Investments India Pvt. Ltd, Bhoruka Agro Business Pvt. Ltd, Prabhu Structures Holdings Pvt. Ltd, Prabhu Structures Investment India Pvt. Ltd.

F. Mr. Sarosh J Ghandy, a graduate from Carneigie Institute of Technology, USA, who is 77 years of age, joined Tata Engineering & Locomotive Co.Ltd, Jamshedpur in 1958. He held various positions in TELCO, Jamshedpur and joined the Board of Directors of TELCO in 1976 and was on the Board of TELCO till 1999. Mr Ghandy was Managing Director of Telco Construction Equipment Company Ltd from 1999 to 2002. Mr. Ghandy was also a Special Advisor to the Chairman of Telco Construction Equipment Company Limited for a year.

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

He is Director of the following companies:

Servion Global Solutions Ltd., Bhuruka Gases Ltd, Teleradiology Solutions Pvt. Ltd Nettur Technical Training Foundation, Maini Materials Movement Pvt. Ltd, Parinam Foundation, Edutech NTTF Pvt. Ltd, Janadhar (India) Pvt. Ltd.

G. Mr. Anil Kumar Bhandari, an Economics Graduate, who is 70 years of age, is a former Vice Chairman and presently a member of Coffee Board. He is also Chairman of Coffee Committee of United Planters Association of South India and Chairman of Karnataka Planters Association.

Mr. Anil Kumar Bhandari is holding 500 equity shares in the Company.

Mr. Anil Kumar Bhandari is Director of the following companies:

The Waterbase Ltd, Karnataka Coffee Brokers (Pvt) Ltd ,Fish-N-Chips Hotels Pvt. Ltd, Bhoruka Park Pvt.Ltd., Sporturf Construction (India) Pvt. Ltd.

H. Mr. V.P.Mahendra, an engineering graduate, who is 72 years of age, joined VST Tillers Tractors Limited in the year 1968 and worked in various capacities through the years and was appointed as Deputy Managing Director of the Company in February, 1984. He was elevated to the position of Managing Director in 1989 which post he holds to date. Besides being on the Board of several companies he is also member of several philanthropic institutions.

Mr. V.P.Mahendra is holding 2,533 equity shares in the Company.

Mr. Mahendra is Director of the following companies:

VST Tillers Tractors Ltd, Lakshmi Ring Travellers Ltd, GOVE Inv & Finance Co.Ltd, VST Motors Ltd , Hotel Pearls (Pvt) Ltd, Pearls Estate Pvt.Ltd, VST & Sons Pvt. Ltd., V.P.Mahendra Brothers Investments Pvt.Ltd., VST Auto Parts Pvt.Ltd., MHI-VST Diesel Engines Pvt.Ltd.

I. Mr. Kamlesh Gandhi, a Commerce Graduate, who is 64 years of age, is associated with Capital and Financial Markets in India for the past 38 years and was member of the BSE for 14 years from 1981 to 1995. He was a Director on the Board of Association of Merchant Bankers of India for 4 years from inception of the Association. As a Merchant Banker, he is instrumental in raising funds for over 300 capital issues and is involved in placement of equities of several companies with retail, high net worth and Institutional Investors, both domestic and overseas.

He was the Guest Speaker at Training Institutes of Banks and Bankers Training College of RBI, on Merchant Banking Activities. He was a Non Executive Director of Several Companies including Dr. Reddy' s Group and Rasi Group. He is involved in advising several NRO investors including many high net worth NRI' s.

Mr. Kamlesh Gandhi is holding 500 equity shares in the Company.

Mr. Kamlesh Gandhi is Director of the following companies:

Bhagyanagar India Ltd, NCL Industries Ltd, Bhoruka Power Corporation Ltd, Sundaram-Clayton Ltd.

J. Mr. Ram J Shahaney, a graduate from University of London B.Sc (Engg) and an Associate of the City & Guilds Institute, who is 84 years of age, is Chairman Emeritus of Ashok Leyland Limited, the flagship company of the Hinduja Group in India. He joined that Company as Managing Director in 1978 and prior to that he was Chairman & Managing Director of Jessop & Company Ltd, Kolkatta. Mr. Ram J Shahaney was a past President of Confederation of Indian Industry (CII), Society of Indian Automobile Manufacturers (SIAM) and Indian Institute of Welding. He is a companion of the British Institute of Management.

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

He is not holding any other directorships.

K. Mr. Vijay R Kirloskar, is an MS in Management Science and Engineering from Worcester Polytechnic Institute, Worcester, MA, USA, who is 63 years of age, joined the services of the Company in the year 1978 as Manager-Production. Later on in the year 1982 he was appointed as President. He was appointed as Managing Director of the Company w.e.f. 17th August, 1985 and has been holding that position since then. He was the Chairman of the Kirloskar Group during the period 1994 to 1998. The Group and the Company showed considerable growth under his stewardship. He has held various important positions in the industry. He was the Vice President of CII for the year 1998.

Mr. Vijay R Kirloskar is holding 3913269 equity shares of the Company.

He is Director of the following companies :

MRF Ltd, Batliboi Ltd, Kirloskar Power Equipments Ltd, Kirloskar Power Build Gears Ltd, Kirloskar (Malaysia) SDN BHD, Kirloskar Software Services, USA, Kirsons Trading Pte Ltd, Kirsons BV, Netherlands.

STATEMENT OF MATERIAL FACTS IN RESPECT OF THE RESOLUTIONS LISTED UNDER SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Pursuant to Article 153 of the Articles of Association of the Company Mr. K.Ganesh, Zonal Manager, South Central Zone, LIC of India, Hyderabad was appointed by the Board of Directors as an Additional Director of the Company effective from 30th September, 2013. He holds office upto the date of this meeting and is eligible for appointment. A member has given notice proposing the candidature of Mr. K.Ganesh as a Director and complied with the requirements of Section 160 of the Companies Act, 2013.

The Board considers that the appointment of Mr. Ganesh as a Director of the Company would be beneficial to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

– Except Mr. Ganesh, being the appointee, none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.4 of the accompanying Notice.

The Board recommends the Resolution for approval by the members.

Item No. 5

Pursuant to Article 153 of the Articles of Association of the Company Mr. Vinayak Narayan Bapat was appointed by the Board of Directors as an Additional Director of the Company effective from 12th August, 2014. He holds office upto the date of this meeting and is eligible for appointment. A member has given notice proposing the candidature of Mr. Bapat as a Director and complied with the requirements of Section 160 of the Companies Act, 2013.

The Board considers that the appointment of Mr. Bapat as a Director of the Company would be beneficial to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company.

– Except Mr. Bapat, being the appointee, none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.5 of the accompanying Notice.

The Board recommends the Resolution for approval by the members.

Item No. 6

Pursuant to Article 153 of the Articles of Association of the Company Mr. Anand B Hunnur was appointed by the Board of Directors as an Additional Director of the Company effective from 12th August, 2014. He holds office upto the date of this meeting and is eligible for appointment. A member has given notice proposing the candidature of Mr. Hunnur as a Director and complied with the requirements of Section 160 of the Companies Act, 2013.

The Board considers that the appointment of Mr. Hunnur as a Director of the Company would be beneficial to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company.

– Except Mr. Hunnur, being the appointee, none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.6 of the accompanying Notice.

The Board recommends the Resolution for approval by the members.

Item Nos. 7 to 12

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr.S.N.Agarwal, Mr.Sarosh J Ghandy, Mr.Anil Kumar Bhandari, Mr.V.P.Mahendra, Mr.Kamlesh Gandhi and Mr.Ram J Shahaney as Independent Directors at various times, in compliance with the requirements of the clause.

Pursuant to the provisions of section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least half of the total number of directors as independent directors, who are not liable to retire by rotation, where the Chairman is executive.

The Nomination and Remuneration Committee has recommended the appointment of these directors as Independent Directors for a period of five years from the date of Annual General Meeting.

Mr.S.N.Agarwal, Mr.Sarosh J Ghandy, Mr. Anil Kumar Bhandari, Mr.V.P.Mahendra, Mr.Kamlesh Gandhi and Mr.Ram J Shahaney non-executive independent directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, each of these directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

Member/s have given notice proposing the candidature of Mr.S.N.Agarwal, Mr.Sarosh J Ghandy, Mr.Anil Kumar Bhandari, Mr.V.P.Mahendra, Mr.Kamlesh Gandhi and Mr.Ram J Shahaney for appointment as non-executive independent directors of the Company and has complied with the requirements of Section 160 of the Companies Act, 2013.In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

A brief profile of the Independent Directors to be appointed is given elsewhere in the annual report.

– Mr.S.N.Agarwal, Mr.Sarosh J Ghandy, Mr.Anil Kumar Bhandari, Mr.V.P.Mahendra, Mr.Kamlesh Gandhi and Mr.Ram J Shahaney, being the appointees, none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item Nos. 7 to 12 of the accompanying Notice.

  The Board recommends the respective Resolution Nos. 7,8,9,10,11 and 12 for approval by the members.

Item No. 13

As per section 180(1) (c) of the Companies Act, 2013, the Board of Directors of a public company cannot, except with the consent of such company in general meeting, borrow moneys which together with the moneys already borrowed exceed the aggregate of the paid up capital of the Company and its free reserves, apart from temporary loans obtained from the Company's bankers in the ordinary course of business.

At the 62nd Annual General Meeting of the Company held on 24th September, 2009, the shareholders by ordinary resolution have empowered the Board to borrow upto 5000 million rupees in excess of the aggregate of the paid up capital of the Company and its free reserves.

Section 180(1)(c) of the Companies Act, 2013 requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution. It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 13 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money upto Rs.10000 million (Rupees Ten Thousand million) in excess of the aggregate of the paid up share capital and free reserves of the Company.

– None of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.13 of the accompanying Notice.

  The Board recommends the Resolution for approval by the members.

Item No. 14

Provisions with regard to cost audit under the Companies Act, 2013 have been notified to be effective from 1st April, 2014 which required remuneration of the cost auditors as approved by the Board to be ratified by shareholders subsequently.

The Companies (Cost Records and Audit) Rules, 2014 has notified vide MCA GSR 425 (E) dated 30th June, 2014. As there is lack of clarity regarding the coverage of our products for cost audit, clarifications has been sought from Ministry of Corporate Affairs (MCA). On getting necessary clarification on the subject, the remuneration approved by the Board will be submitted for the ratification by the next Annual General Meeting.

– None of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.14 of the accompanying Notice.

The Board recommends the Resolution for approval by the members.

Item No.15

In terms of the Sections 73 and 76 of the Companies Act, 2013, the Board of the Directors of the Company cannot, except with the consent of the Company in General Meeting, borrow monies by way of acceptance or renewal of such Fixed Deposits from its members and from persons other than its members not exceeding Ten Percent and Twenty Five percent of aggregate of the paid up share capital and free reserves of the Company, respectively.

Taking into account the future finance requirements for growth plans by the Company and to cater to the working capital needs, in addition to the Company's existing borrowings, the Directors may, for and on behalf of the Company, borrow further sums of money, by way of deposit or renewal of such deposits from its members and person other than its members not exceeding Ten Percent and Twenty Five percent of aggregate of the paid up share capital and free reserves of the Company, respectively. Hence the members are requested to accord their approval for the acceptance of the Fixed Deposits from its members and public.

– None of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.15 of the accompanying Notice.

Since the accepting of fixed deposit from its members and persons other than its members of the Company requires prior approval of the shareholders in General Meeting, the above resolution is put before Shareholders for approval.

The Board recommends the Resolution for approval by the members as a Special Resolution.

Item No.16

The Board of Directors of the Company, at its meeting held on August 12, 2014 has, subject to the approval of members and further subject to the approval of the Central Government, appointed Mr.Vijay R Kirloskar as Executive Chairman, for a period of 3 (Three) years from 12th August 2014, at the remuneration recommended by the Nomination and Remuneration Committee of the Board and approved by the Board as stated in the resolution proposed. Hence it is proposed to seek the members' approval for the appointment of and remuneration payable to Mr.Vijay R Kirloskar as Executive Chairman, in terms of the applicable provisions of the Act. Upon members approving the said resolution, the Company will make an application to the Central Government in terms of Section 197(3) read with Section 200 of the Companies Act, 2013 for seeking its approval for the payment of remuneration as proposed in the said resolution.

General:

(i) The Executive Chairman will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.

(ii) The Executive Chairman shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.

(iii) The Executive Chairman shall adhere to the Company's Code of Conduct & Ethics for Directors and Management Personnel.

(iv) The office of the Executive Chairman may be terminated by the Company or the concerned Director by giving the other 3 (three) months' prior notice in writing.

Mr.Vijay R Kirloskar satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act. The above may be treated as a written memorandum setting out the terms of appointment of Mr.Vijay R Kirloskar under Section 190 of the Act.

Brief resume of Mr.Vijay R Kirloskar, nature of his expertise in specific functional areas, names of companies in which he hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships amongst

directors inter-se as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the Notice forming part of the Annual Report.

Except Mr. Vijay R Kirloskar being the appointee and Mrs. Meena Kirloskar, Director none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item No.16 of the accompanying Notice.

The Board recommends the Resolution for approval by the members

Item Nos.17 & 18

The Board of Directors of the Company at its meeting held on August 12, 2014 has, subject to the approval of members, appointed Mr.Vinayak Narayan Bapat as Managing Director and Mr. Anand B Hunnur as Director - Sales, for a period of 3 (Three) years from 12th August 2014, at the remuneration recommended by the Nomination and Remuneration Committee of the Board and approved by the Board. Hence it is proposed to seek the members approval for the appointment and payment of remuneration to Mr.Vinayak Narayan Bapat as Managing Director and Mr. Anand B Hunnur as Director – Sales, for a period of 3 (Three) years from 12th August 2014 in terms of the applicable provisions of the Act. The Broad Particulars of terms of appointment and remuneration payable to Mr. Vinayak Narayan Bapat and Mr. Anand B Hunnur for a period of 3 (three years) from 12th August, 2014 are mentioned in the resolution. The remuneration proposed to Mr. Vinayak Narayan Bapat and Mr. Anand B Hunnur is Rs. 60 lakhs p.a. and Rs.40 lakhs p.a. respectively as recommended by Nomination and Remuneration Committee of the Board and has been approved by the Board, is well within the applicable limit specified in Schedule V of the Companies Act, 2013 i.e. Rs. 84 lakhs p.a. by way of special resolution and hence the Company is seeking the approval of shareholders.

General:

(i) The Managing Director and the Director-Sales will perform their respective duties as such with regard to all work of the Company and they will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.

(ii) The Managing Director and the Director-Sales shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.

(iii) The Managing Director and the Director-Sales shall adhere to the Company's Code of Conduct & Ethics for Directors and Management Personnel.

(iv) The office of the Managing Director and the Director-Sales may be terminated by the Company or the concerned Directors by giving the other 3 (three) months prior notice in writing.

Mr.Vinayak Narayan Bapat and Mr. Anand B Hunnur satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for their appointment. They are not disqualified from being appointed as Directors in terms of Section 164 of the Act. The above may be treated as a written memorandum setting out the terms of appointment of Mr.Vinayak Narayan Bapat and Mr. Anand B Hunnur under Section 190 of the Act.

Brief resume of Mr.Vinayak Narayan Bapat and Mr. Anand B Hunnur, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships amongst directors inter-se as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the Notice forming part of the Annual Report. Mr.Vinayak Narayan Bapat and Mr.Anand B Hunnur are interested in the resolutions set out respectively at Item Nos. 17 & 18 of the Notice, which pertain to their respective appointments and remuneration payable to each of them.

– Except Mr. Vinayak Narayan Bapat and Mr.Anand B Hunnur, who are interested individually in the Resolution at Item Nos. 17 and 18 as the same relates to their appointment and remuneration, none of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP is concerned or interested in the Resolution at Item Nos.17 and 18 of the accompanying Notice

  The Board recommends the Resolution no.17 and 18 for approval by the members

Common to Item Nos. 16, 17 and 18

STATEMENT UNDER SECTION II PART II OF SCHEDULE V OF THE COMPANIES ACT, 2013

1. GENERAL INFORMATION:
   (i) Nature of Industry – Electrical and Electronic
   (ii) Date of commencement of commercial production – 26.07.1946
   (iii) Financial performance based on given indicators

(Rs. In lakhs)

Particulars	2013-14	2012-13	2011-12
Sales (Gross)	67984.27	80194.27	87173.97
Profit /(Loss) before tax	(4101)	573.77	1008.90
Profit after tax	(4101)	416.03	956.82
Networth	14250.77	18351.08	17935.7
Dividend on Equity %	Nil	Nil	Nil

iv) Foreign investments or collaborators, if any:

The Company has investments in the following companies abroad:

Name of the Company	Investment(Rs.in lakhs)	No. of shares
Kirloskar (Malaysia) SDN BHD	5.29	3,00,000
Kirloskar Kenya Ltd.	8.52	1,272
Kirsons Trading Pte.Ltd.	11.20	56,250
KEC North America Inc, USA	129.36	210 (common stock)
Kirsons B.V.	19086.66	2230

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

2. INFORMATION ABOUT THE APPOINTEES:

1) Background Details

a. Mr. Vijay R Kirloskar is an MS in Management Science and Engineering from Worcester Polytechnic Institute, Worcester, MA, USA. He joined the services of the Company in the year 1978 as Manager-Production. Later on in the year 1982 he was appointed as President. He was appointed as Managing Director of the Company w.e.f. 17th August, 1985.

b. Mr. Vinayak Narayan Bapat graduated in 1985 and completed the qualification of Chartered Accountant in 1988 in the first attempt and became a Company Secretary in the year 2003.

c. Mr. Anand B Hunnur is an Electrical Engineer and is also having a Post Graduate Diploma in Sales and Marketing from Bharatiya Vidya Bhavan, Bangalore.

2) Past remuneration:

a. Mr. Vijay R Kirloskar was paid Rs.203.38 lakhs (inclusive of arrears of Rs.22.59 lakhs) as annual remuneration for the financial year 2013-14 as per the Central Government's approval vide their letter No. SRN B88560990/2013-CL-VII dated 27th February, 2014.

b. Mr.Vinayak Narayan Bapat was paid Rs.41.04 lakhs as annual remuneration for the financial year 2013-14 as President - Operations & Finance & Chief Financial Officer.

c. Mr.Anand B Hunnur was paid Rs.26.73 lakhs as annual remuneration for the financial year 2013-14 as Vice President – Sales & Marketing.

3) Job Profile and suitability:

a. Mr.Vijay R Kirloskar joined the services of the Company in the year 1978 as Manager-Production. Later on in the year 1982 he was appointed as President. He was appointed as Managing Director of the Company w.e.f. 17th August, 1985. He was the Chairman of the Kirloskar Group during the period 1994 to 1998. The Group and the Company showed considerable growth under his stewardship. He has held various important positions in the industry. He was the Vice President of CII for the year 1998.The Board of Directors is confident that, with his extensive business knowledge, experience and expertise in the electrical industry, Mr.Kirloskar would definitely continue to enhance the Board's strength and dynamism.

   Mr. Vijay R Kirloskar's education and experience makes him eminently suitable for the post. Mr. Vijay R Kirloskar is having a wide contact with the industries peers, which is resulting in availing of ample opportunities like new

customers, new contacts, significant order booking. Mr. Vijay R Kirloskar being the promoter as well as experienced Senior Managerial Personnel of the Company is playing a major role on the overall business operations of the Company.

Mr. Vijay R Kirloskar is one of the highest level functionaries of the Company. The Company has achieved a remarkable success and sustained in the difficult market situations mainly because of his rich experience, professional qualifications and excellence and other business skills. Also, the compensation package which the Company has proposed to pay to Mr. Vijay R Kirloskar is lower compared to the salaries being offered to other Senior Managerial Personnel in the comparable similar industries.

Recognition or awards:

Mr.Vijay R Kirloskar was the Chairman of the Kirloskar Group during the period 1994 to 1998. The Group and the Company showed considerable growth under his stewardship. He has held various important positions in the industry. He was the Vice President of CII for the year 1998.

b. Mr.Vinayak Narayan Bapat was President – Operations and Finance and Chief Financial Officer of the Company. He is a professional business executive with over 20 years of experience in the fields of Business Strategy Development, Business Re-Organization and Turnaround, Financial Assessment, Evaluation of Business Processes and improvements, Project Implementation, and Business Partnering. After joining as Vice President and CFO in April 2011, he was promoted as President - Operations and Finance in 2014. Through the three years of his service at Kirloskar Electric, he has been an invitee to the Board of Directors Meetings of the Company. During these years, he has accomplished varied organizational and functional objectives through strategic change management. Before joining the Company, he had worked with Cummins Generators Technologies Ltd, Renfro India Limited, and with group companies of Mahindra and Mahindra and RPG. He has also undergone various professional development syllabuses like Theory of Constraint, Business Simulation, Guest Auditor Programme, and a residential program at IIM Kolkatta, to name a few. The Board of Directors is confident that, with his extensive business acumen, knowledge, experience and expertise in the field of finance, accounts, strategy etc., Mr. Bapat would definitely enhance the Board's strength and dynamism.

Recognition or awards

In recognition of Vinayak Narayan Bapat's contribution to the corporate functional excellence, he was awarded the CFO 100 Roll of Honor in 2013 for Winning Edge in People and again in 2014, he was awarded the CFO 100 Roll of Honor for Winning Edge in Strategy.

c. Mr.Anand B Hunnur started his career as Graduate Engineer and worked in various capacities from 1984 till 2005. He was Regional Manager for Western India from 2002 to 2005. Later He has worked as Associate Vice President–Marketing From 2006 to 2009 and then he worked in Emerson Electric Power Generation of India, Pune as Vice President – Marketing from 2009-2011. He worked as Head- Sales from April 2011 to October 2011 in WEG Electric India. He joined Kirloskar Electric Company Limited as Vice President Sales & Marketing in 2011. He was instrumental in generating good business and achieving the targets. He was also instrumental in monitoring promotional activities and their effectiveness, formulated plans to increase the market share. He has got varied and rich experience in sales and marketing. Mr.Hunnur would definitely continue to enhance the Board's strength and dynamism.

Recognition or awards

Mr. Hunnur was IEEMA Executive Council member during 2013-14

4) Remuneration Proposed: As detailed in the Resolution Nos. 16, 17 and 18

5) Comparative remuneration profile with respect to similar Industries:

The Remuneration proposed to be paid to Mr. Vijay R Kirloskar as recommended by Nomination and Remuneration Committee and has been approved by the Board. The Board while fixing remuneration to Mr. Vijay R Kirloskar has considered the position held, industry standards, past remuneration, responsibilities. The Directors have taken into account Mr. Kirloskar's qualification, experience, financial position and ability of the Company, the remuneration at present being paid to Mr. Kirloskar, what a similar industry would pay at the present level of performance of the Company and the current and expected performance of the Company while approving the remuneration to be paid to Mr.Kirloskar. The remuneration proposed is on par with the most of the related listed Companies.

The Remuneration proposed to be paid to Mr. Vinayak Narayan Bapat and Mr. Anand B Hunnur as recommended by Nomination and Remuneration Committee and has been approved by the Board. The remuneration proposed to Mr. Vinayak Narayan Bapat and Mr. Anand B Hunnur is Rs. 60 lakhs p.a. and Rs.40 lakhs p.a. respectively as recommended by Nomination and Remuneration Committee of the Board and has been approved by the Board, is well within the applicable limit specified in Schedule V of the Companies Act, 2013 i.e. Rs. 84 lakhs p.a.

6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

a. Mr.Vijay R Kirloskar has no pecuniary relationship directly or indirectly with the Company or its managerial personnel other than his remuneration in the capacity of Executive Chairman. As on date he holds 3913269

shares of the Company. Mr. Vijay R Kirloskar is not related to any managerial personal except Mrs. Meena Kirloskar, Director of the Company.

b. Mr.Vinayak Narayan Bapat has no pecuniary relationship directly or indirectly with the Company or its managerial personnel other than his remuneration in the capacity of Managing Director. As on date he holds 3650 shares of the Company.

c. Mr. Anand B Hunnur has no pecuniary relationship directly or indirectly with the Company or its managerial personnel other than his remuneration in the capacity of Director - Sales. As on date he holds 175 shares of the Company.

3. OTHER INFORMATION:

(a) Reason for losses:

Apart from the sluggish economy and uncertainty with regard to business sentiments in general, non availability of adequate working capital and unprecedented pressure on the sales margin have contributed to the losses. Further, earnings have been under pressure owing to higher raw material costs which is putting severe pressure on the margins resulting in losses.

The Kirsons BV (subsidiary) and Lloyd Dynamowerke GmbH & Co.KG, Germany (LDW) (step down subsidiary was doing well till 2012. But in the year 2012-13, and 2013-14 subsidiary and step down subsidiaries incurred loss. The reasons for this were the considerable corrections of unfinished products and the provision to contingency reserves, the amounts of which were not provided earlier. The loss was due to increase in cost of materials and increase in personnel cost due to increase in wages. The liquidity position of the company continues to be strained. The main reason for this is the current under-utilisation which has led to increase in short-term financial liabilities.

The Company and LDW operates primarily in the capital goods sector. The global economic crisis and the problems in the European region have led to caution amongst the customers here. Whenever there appeared to be an improvement in the situation, setbacks kept occurring. The economic situation in our industry was rather sluggish. There was fierce competition for orders. The situation has therefore not changed significantly since the previous year.

(b) Steps taken or proposed to be taken for improvement:

The Company plans to increase its profitability and explore new opportunities of achieving cost reduction and price competitiveness.

(c) Expected increase in productivity and profit in measurable terms:

With the suggestions above, the Company expects to improve the productivity and margin also.

The Board recommends the Resolution Nos. 16, 17 and 18 for approval by the members.

By Order of the Board of Directors,

for KIRLOSKAR ELECTRIC COMPANY LIMITED,

K.S.Swapna Latha
General Manager (Legal) &
Company Secretary

Place: Bangalore
Date : August 12, 2014

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

Your Directors have pleasure in presenting the 67th Annual Report on the business operations of the company, together with the Audited Statement of Accounts for the year ended 31st March, 2014. The financial highlights on the Business operations of the Company are as follows:

Company's Performance

During the year under report, your Company has achieved a turnover of Rs. 67,984.27 lakhs (previous year Rs.80,194.27 lakhs). The operations have resulted in a net loss of Rs.4,100.96 lakhs (previous year net profit of Rs. 416.03 lakhs).

Industry Outlook

The market for your company products remains subdued. The present manufacturing capacity in India is in far excess of the existing demand. This has lead to very aggressive competition and subsequent negative pressure on the prices of products. Your Company has taken several steps to mitigate the impact of this by taking several measures for optimizing the capacity utilization, market reach and performance.

Dividend

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

Subsidiary – Kirsons B.V.

The operations of Kirsons B.V., your subsidiary have resulted in net loss of € 2.94 lakhs (Previous year € 1.04lakhs).

Subsidiary Companies

The Company as of March 31, 2014 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries – Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary companies for the year ended 31st March, 2014 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required.

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

As you are aware, your Company holds 94.89% shares in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholding in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG,Germany is a limited partnership existing in accordance with the Laws of Germany which owns an electrical machine manufacturing plant at Bremen. During the year ended 31st March, 2014 Lloyd Dynamowerke GmbH & Co. KG, had turnover of € 390.41 lakhs(Rs.31,622.97 lakhs) {Previous year € 399.57 lakhs (Rs. 27,942 lakhs)} with a net loss after tax of € 58.43 lakhs(Rs.4,826.92 lakhs) {Previous year net loss € 64.60 lakhs (Rs.4,496 lakhs)}.

Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to Rs.68,983.02 lakhs as against Rs.69,935.88 lakhs in 2012-13.

Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to Rs.31,608.77 lakhs as against Rs.40,861.21 lakhs in 2012-13.

Others

During the year under review the sale of other Electrical Products amounted to Rs.5,368.11 lakhs as against Rs.4,719.32 lakhs in 2012-13.

Human Resources

The Company considers its employees as its most valuable asset. Employees at all levels have put in their best to the services of the Company and the Board puts on record the sincere appreciation of their dedication and loyalty. The Company focuses on building an organization through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company. The Company has 1686 employees as on 31.03.2014.

Environment, Safety and Energy Conservation

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

Particulars of Employees

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

Corporate Governance

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

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

These annexures form part of this report.

Directors

Mr.A.S.Lakshmanan retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

The Board has appointed Mr. K.Ganesh as an Additional Director of the Company at their meeting held on 30th September, 2013. Mr. K.Ganesh hold office upto the date of the Annual General Meeting and has been proposed for appointment.

The Board has appointed Mr.S.N.Agarwal, Mr.Sarosh J Ghandy, Mr.Anil Kumar Bhandari, Mr.V.P.Mahendra, Mr.Kamlesh Gandhi and Mr.Ram J Shahaney, as non Executive Independent Directors for a period of five years from the date of this Annual General Meeting and are not liable to retire by rotation.

The Board has appointed Mr. Vinayak Narayan Bapat as an Additional Director of the Company at their meeting held on 12th August, 2014. Mr. Vinayak Narayan Bapat hold office upto the date of the Annual General Meeting and has been proposed for appointment. He is appointed as Managing Director for a period of three years w.e.f. 12th August 2014.

The Board has appointed Mr. Anand B Hunnur as an Additional Director of the Company at their meeting held on 12th August, 2014. Mr. Anand B Hunnur hold office upto the date of the Annual General Meeting and has been proposed for appointment. He is appointed as Director – Sales for a period of three years w.e.f. 12th August 2014.

The Board has appointed Mr.Vijay R Kirloskar as Executive Chairman for a term of three years w.e.f. 12th August 2014.

Mr.Alok Kumar Gupta, Joint Managing Director, resigned from the services of the Company from the close of office hours on 25th April, 2014. Your Directors place on record their appreciation of the valuable services rendered by Mr. Gupta during his tenure as a Director of the Company.

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and Directors have made 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 as at 31st March, 2014 and of the Profit and Loss Account for the year ended 31st March, 2014.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Auditors

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

Fixed Deposits

40 persons had not claimed repayment of their matured deposits amounting to Rs.61.30 lakhs as at 31st March, 2014. Out of the above upto the date of this report, 34 Fixed Deposit amounting to Rs.57.60 lakhs has been repaid and balance 6 Fixed Deposit amounting to Rs.3.70 lakhs had not been claimed.

Acknowledgements

The Board of Directors take this opportunity to express its sincere appreciation for the continued support and confidence received from the Company' s Bankers, Financial Institutions, Customers, Suppliers, Depositors, Shareholders and Employees.

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

Place : Bangalore
Date : August 12, 2014

Vijay R Kirloskar
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS REGARDING CONSERVATION OF ENERGY ANDTECHNOLOGY ABSORPTION.

A. Conservation of Energy:

a) Energy conservation measures taken;

The Company conserves energy by

1) Use of Solar Energy.
2) Improving system power factor.
3) Reduction of maximum demand and restricting the maximum demand to billing demand.
4) Monitoring of energy consumption and further requisite follow-up.
5) Optimum utilisation of high energy consuming electrical equipments like ovens, winding machines.
6) Air-Compressor Pressure is maintained at reduced pressure with fixed timing and air leakages arrested.
7) Borewell and water pumps running is scheduled. Timer maintained to save energy and water.
8) Installation of capacitor panels.

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

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

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

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

d) Total energy consumption and energy consumption per unit of production

- Not Applicable

B. TECHNOLOGY ABSORPTION

1. Research and Development

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

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

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

3. Future plan of action :

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

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

4. Expenditure on R & D:

	(Rs. in Lakhs)
Capital	–
Recurring	26.09
Total	26.09
Total R & D Expenditure	26.09
as a % of total turnover	0.04

5. Technology Absorption, Adaptation and Innovation:

a. Efforts made in brief for technology absorption, adaptation and innovation.
   - Training of personnel in-house.
   - Indigenisation of Materials, components and processes.
   - Modification of imported technology to suit the prevailing Indian Market.

b. Benefits derived as a result of the above efforts
   - Enhanced Product Range
   - Quality improvement
   - Development of new Products

c. Future Plan of Action
   - upgradation of existing technology
   - Development of new processes

d. Technology imported during the last 5 years.

A. Technology Imported – Nil

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

C. Foreign Exchange Earnings and Outgo:

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

   The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth Rs.5678.98 lakhs.

2. Total foreign exchange used and earned.

		(Rs. in lakhs)
a)	Foreign Exchange earned	
(i)	FOB value of goods exported (net) of sales within India eligible for export incentives.	5678.98
(ii)	Dividend on shares (net of tax)	8.47
(iii)	Repatriation of Profit	–
(iv)	Others	467.90
b)	Foreign Exchange Used	
	Value of imports calculated on the CIF basis.	
(i)	Raw materials & Components and spare parts.	2052.31
(ii)	Capital Goods	–

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

Place : Bangalore
Date : August 12, 2014

Vijay R Kirloskar
Chairman

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance

The Company follows good practices of transparency and disclosure in its reporting. The Company continues to be firmly committed to Corporate Governance and to meet the expectations of its stakeholders in matters related to trusteeship, integrity, ethical and legal standards. This will be done through proper disclosures, adequate internal controls in its business practices and risk management, proper communication and good standards in safety, health, environment management, highest standards in accounting fidelity, product and service quality. The Company complies with the listing requirements of the Stock Exchanges, where its Shares are listed and endeavors to meet necessary listing guidelines.

The Company has complied with all the provisions of Companies Act, 1956, SEBI guidelines and also those of the Stock Exchanges guidelines and is committed to good Corporate Governance. The Board fully understands and takes responsibility for its commitments to stakeholders, employees, vendors, customers and the communities where it operates. The primary objective of Customer Satisfaction is relentlessly pursued. Following is a report on the status and progress on various aspects of Corporate Governance of the Company.

2. Board of Directors

a) **Composition, Category of Director, Attendance at Meeting, Other Directorships & Chairmanship and Memberships of the Board Committees**

Mr. Vijay R Kirloskar is an Executive Chairman and Managing Director of the Company and more than half of the total strength of the Board consists of Independent Directors. On the composition of the Board, the Company has complied with the requirements of Clause 49 of the Listing Agreement.

Name of the Director	Category	Attendance			Other Directorships/Committee Memberships@		
		No. of Board Meetings held during the tenure	No. of Board Meetings attended	Last AGM attended Yes/No	Directorships in other companies	Committee Member	Committee Chairman
Mr.Vijay R Kirloskar	(Executive)-Chairman & Managing Director	7	7	Yes	4	Nil	Nil
Mr.Alok Kumar Gupta*	(Executive)-Joint Managing Director	7	7	Yes	Nil	Nil	Nil
Mr.A.S.Lakshmanan	(Non Executive)-Independent Director	7	6	Yes	1	Nil	Nil
Mr.S.N.Agarwal	(Non Executive)-Independent Director	7	4	No	5	2	Nil
Mr.Anil Kumar Bhandari	(Non Executive)-Independent Director	7	6	Yes	1	1	1
Mr.Sarosh J Ghandy	(Non Executive)-Independent Director	7	6	Yes	4	1	1
Mr.V.P.Mahendra	(Non Executive)-Independent Director	7	6	Yes	4	Nil	Nil
Mr.Kamlesh Gandhi	(Non Executive)-Independent Director	7	6	Yes	4	2	Nil
Mrs.Meena Kirloskar	(Non Executive)-Non Independent Director	7	5	Yes	Nil	Nil	Nil
Mr.Ram J Shahaney	(Non Executive)-Independent Director	7	5	Yes	Nil	Nil	Nil
Mr.K.Ganesh**	(Non Executive)-Independent Director	3	3	NA	Nil	Nil	Nil

@ as on 31.03.2013 - of Public Limited Companies only.

*Ceased to be a Director of the Company w.e.f. close of office hours on 25.4.2014.

** Appointed as Additional Director w.e.f. 30.09.2013 after the 66th Annual General Meeting held on that day.

b) **Number of Board Meetings held, dates on which held**

Seven Board Meetings were held during the Financial Year 2013-14. The meetings were held on the following dates: 30th May, 2013, 13th August, 2013, 2nd September, 2013, 30th September, 2013, 13th November, 2013, 10th February, 2014 and 24th March, 2014.

3. Audit Committee

The Audit committee consists of five Independent Non-Executive Directors.

The terms of reference of the Audit Committee include the following:

1. Overseeing the Company's financial reporting process including Internal Audit arrangements and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with the management the Annual Financial Statements before submission to the Board.
4. Reviewing any activity under its reference.

During the Financial Year 2013-14, the Committee met on 30th May, 2013, 13th August, 2013, 2nd September, 2013, 13th November, 2013, 10th February, 2014 and 24th March, 2014.

The Particulars of meeting attended by the members are as follows:

Name	Category	Meetings	
		Held during the tenure	Attended
Mr.S.N.Agarwal	Chairman	6	4
Mr.A.S.Lakshmanan	Member	6	5
Mr.Anil Kumar Bhandari	Member	6	5
Mr.Sarosh J Ghandy	Member	6	5
Mr.V.P.Mahendra	Member	6	5

In the absence of Mr. S.N. Agarwal, Mr. A.S. Lakshmanan as the Chairman of the Audit Committee attended the 66th Annual General Meeting of the Company held on 30th September, 2013.

The Audit Committee was reconstituted on 28.5.2014.

4. Remuneration and Compensation Committee

During the year under review, the Committee met on 13th August, 2013, 13th November, 2013 and 10th February, 2014.

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

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

The Company has constituted Nomination and Remuneration Committee as required under Companies Act, 2013 and will consist of the following members:

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

Remuneration Policy

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

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

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

The number of employees working in the organisation as on 31.3.2014 was 1686.

Details of remuneration paid to the directors for the Financial Year 2013-14

(in Rs.)

Name	Designation	Salary	Contribution to PF and other Funds	Total Amount	Share holding No of shares
Mr. Vijay R Kirloskar	Chairman & Managing Director	1,60,14,097	43,23,809	2,03,37,905*	39,13,269
Mr. Alok Kumar Gupta	Joint Managing Director**	86,70,751	19,44,000	1,06,14,751#	500

* Includes Rs.22,58,843 towards arrears of salary.

** Ceased to be a Director of the Company w.e.f. close of office hours on 25.4.2014.

Includes Rs.8,27,806 towards lease rent.

The Company has not paid any remuneration to the non-executive directors other than the sitting fees of Rs.15,000/- each, paid for attending Board/Committee Meetings. The remuneration paid to Mr. Vijay R Kirloskar is within the limits approved by Central Government vide its letter No SRN A96081419/4/2010-CL-VII dated 31st July, 2012 and SRN B88560990/2013-CL-VII dated 27th February, 2014.

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

5. Shareholders/Investors Grievances Committee

The Shareholders/Investors Grievances Committee consist of the three Directors. During the year under review, the Committee met on 13th August, 2013, 13th November, 2013 and 10th February, 2014 and reviewed the status of shareholders grievances and approved the share transfers and transmissions etc.

The terms of reference of Shareholders/Investors Grievances Committee include, inter alia, to look into the shareholders and investors complaints regarding transfer and transmission of shares, issue of duplicate share certificates, consolidation and splitting up of shares and also to decide all the matters incidental to and arising out of transfer and transmission of shares and to redress the same.

Name of non-executive Director heading the Committee

Mr. Anil Kumar Bhandari is the Chairman of the Shareholders/Investors Grievances Committee.

The Particulars of the meeting attended by the members are as follows:

Name	Category	Meetings	
		Held During the tenure	Attended
Mr.Anil Kumar Bhandari	Chairman	3	3
Mr.Vijay R Kirloskar	Member	3	3
Mr.Alok Kumar Gupta*	Member	3	3

* Ceased to be a Director of the Company w.e.f. close of office hours on 25.4.2014.

The Company has constituted Stakeholders Relationship Committee as required under Companies Act, 2013 and will consist of the following members:

Mr. Anil Kumar Bhandari – Chairman
Mr. Vijay R Kirloskar – Member
Mr. V.P.Mahendra – Member.

Name and designation of Compliance officer
Ms.K S Swapna Latha is the Company Secretary and 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 the Company and replies promptly by Company. It is the policy of the Company that Investor Complaints are attended at the priority and solved at the earliest.

A statement of various complaints received and cleared by the Company during the Financial Year 2013-14 is given below:

Nature of Compliant	2013-14		
	Received	Cleared	Pending
Letters regarding Non receipt of Annual Reports	4	4	Nil
Letters or Complaints regarding shares (Non-receipt of shares after transfer / transmission, deletion of names, consolidation/sub-division of shares and general transfer correspondence)	6	6	Nil
Miscellaneous Letters or complaints received other than of above categories.	5	5	Nil

6. Committee formed to consider and approve the financial results

The Committee consist of following Directors

Mr.A.S.Lakshmanan	-	Chairman
Mr.Vijay R Kirloskar	-	Member
Mr.V.P.Mahendra	-	Member
Mr.Alok Kumar Gupta*	-	Member

* ceased to be director w.e.f. close of office hours on 25.04.2014

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

7. General Body Meetings

a) Location, time and Special Resolution for the last three AGMs:

	2010-11	2011-12	2012-13
Date, Venue and Time	3rd August, 2011 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 10.00 A.M	9th August, 2012 Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 10.00 A.M	30th September, 2013 Vivanta by Taj Tumkur Road, Yeshwanthpur Bangalore 10.00 A.M
Special Resolution Passed	1. Appointment of Mr. Anuj Pattanaik as Deputy Managing Director from 23rd September, 2010 till 22nd September, 2015 and payment of remuneration to Mr. Anuj Pattanaik. 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration	1. Payment of increase in remuneration to Mr. Anuj Pattanaik, Deputy Managing Director from 4th August, 2011 till 3rd August, 2014. 2. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration.	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.

b) Special resolution put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedure for postal ballot: Nil

c) Location, time and special Resolution of the Extra-ordinary General Meeting of the Company held during the Financial year 2013-14: Nil

8. Disclosures

Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. The Audit Committee periodically reviews the related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 45 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

Accounting Treatment

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

Risk Management

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

Utilisation of Public Issue Proceeds

During the year under review, the Company has not raised any money through any issue.

Details of non-compliance

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

Cost Audit

As per the The Companies(Cost Audit Report) Rules, 2011, the Board of Directors at their Meeting held on 28th May, 2014 has appointed Messrs Rao, Murthy & Associates, Cost Accountants, Basavanagudi, Bangalore – 560 004, for the Financial Year for 2014-15 and has intimated to Ministry of Corporate Affairs. Subsequently on 30th June 2014 MCA notified the Companies (Cost Records and Audit) Rules, 2014 and clarity with regard to applicablity is awaited.

Cost Audit Report for the Financial Year 2012-13 was filed with Ministry of Corporate Affairs on 26.09.2013.
Cost Audit Report for the Financial Year for 2013-14 will be filed on or before the due date.

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

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

Remuneration Committee

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

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.

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

Chairman's Office

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

Shareholder Rights

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

Training of Board Members

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

9. Means of Communication

a) Quarterly results

The Company has been regularly publishing Audited/Un-audited results in leading news dailies, immediately after the same is approved by the Board. The results are also posted on the Company's website.

b) Newspaper wherein results normally published:

The quarterly results are normally published in the all India edition of Business Standard and Bangalore edition of Samyukta Karnataka.

c) Company's Website address:

The quarterly results and other official news are posted on the Company's website www.kirloskar-electric.com

d) The presentation made of institutional investor or the analysts

No presentation were made to institutional investors or to the analysts during the year 2013-14.

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

10. General Shareholder Information

Date, Time and Venue of Annual General Meeting

The 67th Annual General Meeting of the Company will be held on Tuesday, the 30th September, 2014 at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003 at 10.00 A.M.

Financial Year

The Company's Financial Year starts on 1st April and ends on 31st March

Date of Book Closure

Register of Members / Register of Share Transfer books will remain close from Tuesday the 23rd September, 2014 to Tuesday the 30th September, 2014 (both days inclusive).

Dividend payment Date

The Board of Directors have not recommended dividend on the Equity Shares for the Financial Year ended 31st March, 2014.

Listing on Stock Exchanges & Stock Code

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 2014-15 and its stock code is as under:

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

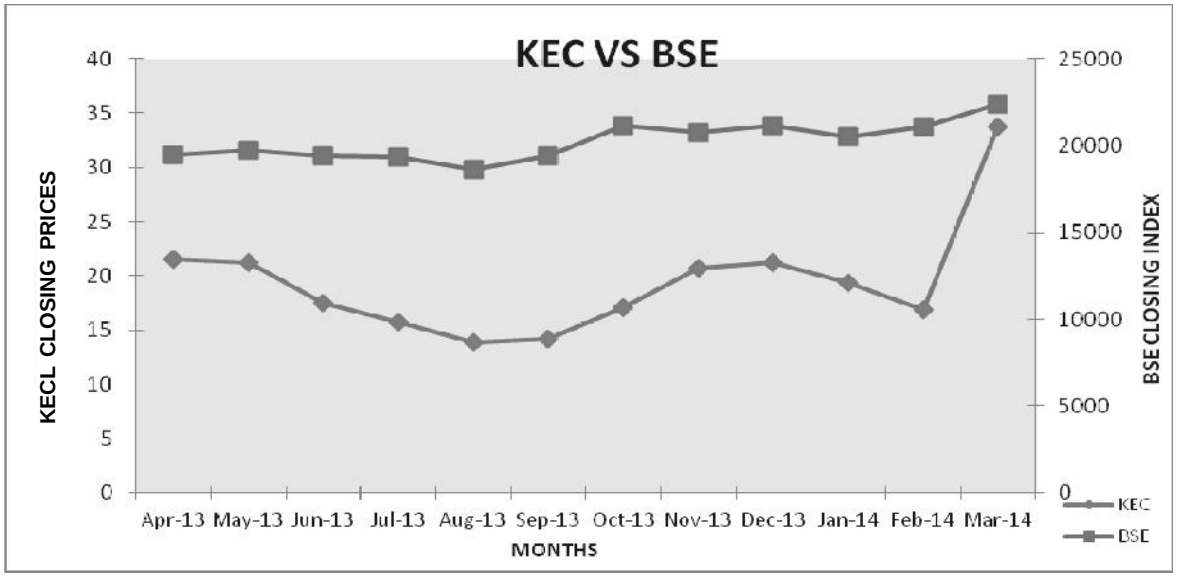
Market Price Data

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:

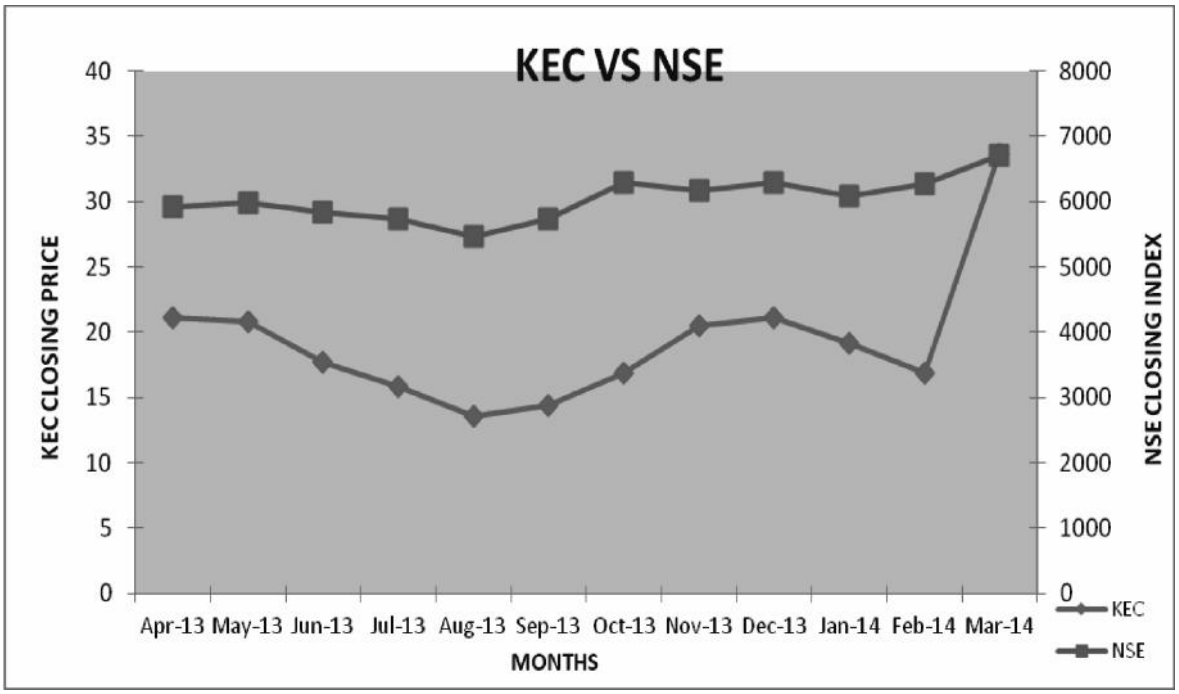
Month	KEC on BSE			KEC on NSE		
	High (Rs.)	Low (Rs.)	Volume (No's)	High (Rs.)	Low (Rs.)	Volume (No's)
April 2013	23.95	17.10	112612	25.80	17.25	107417
May 2013	25.80	20.20	154064	25.95	20.00	113020
June 2013	22.70	16.10	73437	20.55	17.40	65605
July 2013	19.45	15.00	126496	17.55	16.50	82864
August 2013	19.30	13.30	109209	15.05	13.95	75783
September 2013	16.40	13.05	97768	14.70	14.15	72629
October 2013	19.80	14.05	99065	18.10	14.80	87243
November 2013	21.00	16.20	83611	20.25	17.20	61140
December 2013	24.70	18.30	253527	21.25	20.35	385637
January 2014	22.55	18.95	121309	21.20	20.20	134992
February 2014	20.95	15.95	167315	19.60	16.65	236132
March 2014	33.75	16.30	658913	33.60	17.30	817481

Share Price Movements:

Share Price Movements for the period 1st April, 2013 to 31st March, 2014 - Kirloskar Electric Company Limited (KECL) vs BSE Sensex



Share Price Movements for the period 1st April, 2013 to 31st March, 2014 - Kirloskar Electric Company Limited (KECL) vs NSE Sensex



Registrar and Share Transfer Agents

Integrated Enterprises (India) Ltd ,30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003.Telephone No's: 23460815,23460816,23460817 and 2346081 Fax No. 23460819, Website:www.123alpha.com, Contact Person: Mr. Manjunath, Senior Manager.

Share Transfer System

The Company's shares are compulsorily traded in Demat form. The ISIN allotted to Kirloskar Electric Company Limited is: ISIN INE 134B01017. 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.

The Shareholders' complaints received during the year have been resolved with due dispatch and no complaints were pending as on 31.03.2014. There were no physical transfers pending as on 31.03.2014 and there were no dematerialization requests pending as on 31.03.2014. The Company has not received any request for rematerialization during the year.

Distribution of Shareholding as on 31.03.2014

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	13394	1624850	21782	936146	35176	92.72	2560996	5.07
501-1000	1046	860044	248	179861	1294	3.41	1039905	2.06
1001-2000	552	832456	127	176387	679	1.79	1008843	2.00
2001-3000	224	572558	36	88356	260	0.69	660914	1.31
3001-4000	94	336644	20	68726	114	0.30	405370	0.80
4001-5000	96	441318	13	56439	109	0.29	497757	0.99
5001-10000	156	1128600	11	77514	167	0.44	1206114	2.39
10001 & above	129	34822722	8	8318746	137	0.36	43141468	85.39
TOTAL	15691	40619192	22245	9902175	37936	100.00	50521367	100.00

Catagories of Shareholding as on 31st March, 2014

Category	No. of Shareholders	No of Shares held	% of Shareholding
Promoters	23	24927008	49.34
Banks. Financial Institutions	21	819227	1.62
Insurance Co's	5	3253824	6.44
Foreign Investment Institutions	2	450	0.00
Private Corporate Bodies	383	3552410	7.03
Indian Public	36937	9274842	18.36
NRIs/ OCBs	418	2245975	4.45
Clearing Members	144	272695	0.54
Trust	3	6174936	12.22
TOTAL	**37936**	**50521367**	**100.00**

Dematerialisation of Shares and Liquidity

The paid up Equity Capital of the Company as on 31.03.2014 was Rs.50,52,13,670 (5,05,21,367 Shares of Rs.10/- each). Out of the total Equity paid up Share capital of Rs. 50,52,13,670, 4,06,19,192 Equity Shares representing 80.40% of the Equity Capital were held in dematerialised form as on 31.03.2014.

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 80.40% of the Company's Shares are held in electronic form. The Company's Shares are traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

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

The Company has not issued any GDR/ADR/Warrants or any convertible instruments.

Plant location

Details of address of plant locations are mentioned in the beginning of the Annual Report.

Address for correspondence

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

Code of Conduct

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.

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

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for the year 2013-14.

Place : Bangalore
Date : August 12, 2014

Vijay R Kirloskar
Chairman & Managing Director

Directors' Responsibility Statement

The Directors' Responsibility Statement in conformity with the requirement of the Companies Act, 1956 and the Companies Act, 2013 has been included in the Directors' Report to the Shareholders. A Management Discussion and Analysis Report in terms of item IV (F) of Clause 49 of the Listing Agreement has been annexed to the Directors' Report.

The financial accounts are in conformity with the requirements under the Companies Act, 1956 and the Companies Act, 2013. These accounts reflects the form and substance of transactions and present a true and fair view of the Company's financial conditions and the results of operations.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry

Your Company is engaged in Electrical Industry which comprise 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. Several upcoming projects were postponed because of liquidity crunch and negative business sentiments. Nevertheless there are signs of revival and economy may perform better in the coming fiscal year.

The Company has taken several bold steps to remain competitive and to ensure survival by reducing cost, rationalising 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, Competition and Threats

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 new 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 the 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 the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

The Generator as well as the Motor manufacturing industry is highly competitive, both in India and internationally. Many large corporations in domestic front and international front are competitors to the Company. These corporations have access to advanced technologies, greater reach and larger financial resources which may benefit them with economies of scale and operating efficiencies. Competitors may be able to sell their products at prices lower than the Company's, which may have an adverse effect on the Company's market share and results of operations.

The rise in prices of raw materials , uncertainty in supplies and tight monetary policies are a matter of concern. The present challenge is to manage the pending orders within the budgeted costs and high volatility in the prices of major raw materials. Further, entry of new players and expansion of manufacturing capacity by existing players and arrival of Chinese transformer manufacturers is likely to put more pressure on established players.

Your Company foresees certain areas of risk, concerns and threats in its arena of operations. Increases in production cost were not fully compensated by increase in selling price in tough market environment. The Company expects current year to be more challenging compared to the previous year due to fall in order backlog and intensive price pressure getting reflected in newly opened tenders and recently finalized orders. The current year is likely to be another challenging one for the Company. Your Company is focused on cost control and productivity improvement areas to compensate for declining volumes.

Segment wise or product wise performance

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

The segment wise turnover of the Company is as follows:

(₹ in Lakhs)

Products	**2013-14**	2012-13
Rotating Machines Group	**68,983.02**	69,935.88
Power Generation and Distribution Group	**31,608.77**	40,861.21
Others	**5,368.11**	4,719.32
TOTAL	**1,05,959.90**	1,15,516.41

Future Outlook

Global economies appear to be going through a 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. Measures are needed from the Government to kick-start the investment cycle growth. There is no visibility of a sustained Global recovery and Eurozone economic sluggishness continues unabated affecting India's economic growth.

Low industrial growth, unfavorable investment climate have resulted in the Company's domestic order book reflecting sluggishness as in Fiscal 2013-14. The general weakness across all industries continues and all sectors are reflecting a great deal of uncertainty in the market for capital expenditure and capital goods. However, the Company's efforts to optimize products have enabled the Company to enhance product offerings leading to significant overseas orders. Further, the various industries to which the Company caters are expected to better again and demand from them will pick up again. The overall long term view is positive.

In view of the above, the Company is hopeful of recording operating performance this fiscal improved.

Risks Mitigation Measures

The Company recognises the above major risks and has initiated the following measures for mitigating the above business related risks:

The Company upgrades it's 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 the Company a competitive advantage, as we can cater to the major verticals of the power generation industry.

The Company recognises 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

The 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 controls reviewed by an 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.

Human Resources

Employee relations continue to remain peaceful and cordial during the year. The Company recognizes that its workforce is critical to the Company's success and therefore, is committed of maintaining and developing the overall knowledge of the workforce. Your Company continues to reinforce the Code of Conduct across all functions/workforce. To enhance communications and create a congenial environment, the organizational leadership and the shop employees of the Company have significantly invested their time and effort.

The Company continued to have good support of all its Employees at all levels. The Company is focusing on Employee Retention, Development, Recognition and Performance Management.

For and on behalf of the Board

Place : Bangalore
Date : August 12, 2014

Vijay R Kirloskar
Chairman & Managing Director

CEO & CFO CERTIFICATION

We have reviewed the financial statements and the cash flow statement for the Financial Year ended as on 31st March, 2014 and certify, to the best of our knowledge and belief, that:

i. these statements present a true and fair view of the Company's affairs, and are in compliance with existing accounting standards, applicable laws and regulations;

ii. these statements do not contain any materially untrue statement, or omit any material fact, or contain statements that might be misleading;

iii. no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's code of conduct ;

iv. we have accepted the responsibility for establishing & maintaining internal control for financial reporting;

v. we have evaluated the effectiveness of the internal control systems of the Company, and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, of which we are aware and have taken steps to rectify the same, wherever found;

vi. significant changes in the internal control over financial reporting, as well as changes in accounting policies, have been intimated to the Auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; there were no instances of fraud of which we have become aware.

Place : Bangalore
Date : August 12, 2014

Vijay R Kirloskar
Chairman & Managing Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CERTIFICATE

To the Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of Corporate Governance by Kirloskar Electric Company Limited, for the year ended on 31.03.2014 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

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

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

Place : Bangalore
Date : August 12, 2014

CA. C R Krishna
Partner

INDEPENDENT AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached abridged Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2014, the abridged Statement of Profit and Loss and also the abridged Cash Flow statement for the year ended on that date annexed thereto together with notesthereon.

These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956, read with para 3a of the notes to the abridged financial statements and are based on the financial statements of the Company for the year ended March 31, 2014 prepared in accordance with Schedule VI of the Companies Act, 1956 and is covered by our report of even date to the members of the Company which report is attached herewith.

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

CA. C R KRISHNA
Partner
Membership number 027990

Bangalore
Date: May 28, 2014

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

Report on the Financial Statements:

We have audited the accompanying financial statements of Kirloskar Electric Company Limited ("the Company") which comprise of Balance Sheet as at March 31, 2014, Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these 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 standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require 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 auditors' 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 Company'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 the 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 and to the best of our information and according to the explanations given to us, the 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:

(i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2014;

(ii) in the case of the statement of profit and loss, of the loss for the year ended on that date; and

(iii) in the case of the cash flow statement for the year ended on that date.

Emphasis of Matter:

(a) We draw reference to Note 23 (a) (viii) of the financial statements which describes the special leave petitions in respect of resale tax and sales tax penalty of Rs. 527 lakhs and Rs.362 Lakhs filed respectively before honourable Supreme Court and no provision is required to be recognized in this respect for the reason stated therein. We have relied on the representation and our report is not qualified in this respect.

(b) Attention is invited to note 50 of the financial statements which describes that the diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of Lloyd Dynamowerke GmbH & Co. KG, Germany ("LDW")} of Rs.19,086.66 Lakhs is considered temporary and no provision is considered necessary for the reasons stated therein. We have relied on the representation and our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of sub section 4A of section 227 of the Act ("the Order"), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227 (3) of the Act, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
   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 report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by M/s. Sundar & Associates, Chartered Accountants has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.
   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.
   e. In our opinion, the Balance Sheet, Statement of Profit & Loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act,1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
   f. On the basis of written representations received from the directors, as on March 31, 2014 and taken on record by the board of directors, we report that none of the directors are disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
   g. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act, nor has issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

(CA. C R KRISHNA)
Partner
Membership number 027990

Place : Bangalore
Date : May 28, 2014

ANNEXURE REFERRED TO IN PARA 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. Management during the year has physically verified fixed assets in certain units as per a phased programme of physical verification.The discrepancies noticed on such verification were not material and are yet to be adjusted in the books of account.

   c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.

2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

   b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c. The Company has implemented SAP ECC 6 systems at all its units. Certain mistakes and omissions noticed during the year have been corrected based on physical verification taken from time to time.

   The Company is in the process of quantifying the differences adjusted/to be adjusted in the books of account on a comprehensive basis as reported in note 39 of the financial statements and consequently we are not in a position to comment on the extent of discrepancies and any further adjustments required in the books of account.

   d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.

3. a. The terms and conditions on which fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interests of the Company. The maximum amount involved during the year was Rs. 145 lakhs and amount outstanding at the end of the year were Rs. 100 lakhs.

   b. The Company has not granted any loans to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 41 to the financial statements are advances and not in the nature of loans.

4. Having regard to the explanations given to us, that some of the bought out items/ assets are proprietary and/ or are customised to the requirements of the Company and as such comparative quotations are not available, there are adequate internal control procedures with regard to purchases of inventory, fixed assets and for the sale of goods. However as detailed in notes 37 and 39 to the financial statements the same needs to be further strengthened to be commensurate with the size of the Company and the nature of its business. We have not observed during the course of our audit any continuing failure to correct the major weaknesses in the internal controls, except as stated above.

5. a. According to the information and explanations given to us, we are of the opinion that contracts that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

   b. In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 500,000 during the year, the Company has represented to us that their rates are comparable to market prices. However considering the proprietary nature of certain items and in the absence of comparable quotation from other parties, we are unable to comment whether the transactions have been made at prevailing market prices.

6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 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.

7. In our opinion and according to the information and explanation given to us, the Company has an internal audit system conducted through an external agency commensurate with the size of the Company and the nature of its business.

8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and read with paragraph 2(c) above regarding

inventory records, we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not made a detailed examination to ensure their accuracy or completeness.

9. a. The Company has been regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Service Tax, Cess and other applicable statutory dues with the appropriate authorities barring delays in certain months ranging upto 7months in the case of provident fund and one month in case of excise duty.

   b. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Service Tax and Cess were in arrears, as at March 31, 2014 for a period of more than six months from the date they became payable except for matured deposits amounting to Rs.2.44 lakhs have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries and provident fund contribution on arrears of salaries paid in the month of May 2013 of Rs 50.44 lakhs.

   c. According to the information and explanations given to us, the following dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, Service Tax and Cess had not been deposited as at March 31, 2014 with the relevant authorities on account of disputes.

Name of the statue	Nature of the dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Karnataka Sales Tax Act, 1957	Resale tax demanded	349.07	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	35.61	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 & September 2007	Central Excise and Service Tax Appellate Tribunal
	Cenvat availment	103.88	June 2006 , January 2008 to April 2010 & October 2008 to April 2010 September 2010 to March 2011	Commissioner of Central Excise (Appeals)
	Delay in payment	0.65	2010-2011	Commissioner of Central Excise (Appeals)

Name of the statue	Nature of the dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962.	Customs demand	51.54	1994 to 1999	Asst. Commissioner of Customs
The Income Tax Act, 1961	Income tax demand	15.56	Assessment Year 2010 – 2011	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	333.75	Assessment Year 2011 – 2012	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
	Works contract tax	96.49	1996 – 97 to 2004– 2005	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	1,189.44	1999 – 2000, 2005 -2006 and 2008-2009	Joint Commissioner of Commercial Taxes

Income tax dues in respect of Malaysia Branch (Kuala Lumpur) outstanding as at year end for a period of more than 6 months from the date they became due cannot be ascertained pending reconciliation of the account.

10. In our opinion, the Company did not have accumulated losses as at the end of the year. The Company has cash losses during the financial year covered by our audit amounting to Rs. 2,929.18 lakhs.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks & financial institutions.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given a guarantee in a prior year for loans taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to its interest.
16. According to the information and explanations given to us, term loans taken during the year from one of the Company's bankers is yet to be utilised to an extent of Rs.1,466.05 lakhs and balance of Rs.1,533.95 lakhs has been used for working capital/general corporate purposes and not utilised for the purpose for which it was sanctioned.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that Rs.7,684.71 lakhs funds raised on short- term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, no debentures were outstanding at the end of the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable.

20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.

21 According to the information and explanations given to us and to the best of knowledge and belief, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

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

(CA. C R KRISHNA)
Partner
Membership No. 027990

Place : Bangalore
Date : May 28, 2014

Abridged Balance Sheet as at March 31, 2014

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

(₹ in Lakhs)

Particulars	As at March 31, 2014		As at March 31, 2013	
I. EQUITY AND LIABILITIES				
(1) SHAREHOLDERS' FUNDS				
a) Paid-up share capital				
(i) Equity	**5,052.14**		5,052.14	
(ii) Preference	**–**		–	
		5,052.14		5,052.14
b) Reserves and Surplus				
(i) Capital reserve	**18.06**		18.06	
(ii) Revaluation reserve	**480.41**		480.41	
(iii) Capital redemption reserve	**2,401.75**		2,401.75	
(iv) Debenture redemption reserve	**494.00**		494.00	
(v) Reconstruction reserve account	**641.67**		641.67	
(vi) Surplus i.e. statement of profit or loss	**6,284.82**		10,385.78	
(vii) Reserve for doubtful debts	**90.00**		90.00	
		10,410.71		14,511.67
(2) NON CURRENT LIABILITIES				
a) Long term borrowings	**6,531.84**		2,026.41	
b) Other long term liabilities	**1,334.24**		715.00	
c) Long term provisions	**1,351.22**		1,265.54	
		9,217.30		4,006.95
(3) CURRENT LIABILITIES				
a) Short term borrowings	**13,673.33**		15,174.67	
b) Trade payables	**27,919.66**		24,063.56	
c) Other current liabilities	**6,736.79**		6,422.37	
d) Short term provisions	**737.17**		1,186.41	
		49,066.95		46,847.01
TOTAL		**73,747.10**		70,417.77
II. ASSETS				
(4) NON CURRENT ASSETS				
a) Fixed assets				
i) Tangible assets	**11,899.33**		12,991.01	
ii) Intangible assets	**57.47**		63.11	
iii) Capital work in progress	**165.57**		429.33	
	12,122.37		13,483.45	
b) Non current investments				
i) Investment in Subsidiary Companies				
- Unquoted	**19,216.02**		15,587.89	
ii) Others				
- Quoted	**1.00**		1.00	
- Unquoted	**54.46**		54.46	
	19,271.48		15,643.35	
Less : Provision for diminution in value of Investments	**129.36**		129.36	
	19,142.12		15,513.99	
Market value of quoted investments	**13.46**		11.30	
iii) Long term loans and advances	**1,773.12**		1,704.20	
iv) Other non current assets	**151.91**		124.11	
		33,189.52		30,825.75

Abridged Balance Sheet as at March 31, 2014 (Cont..)

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

(₹ in Lakhs)

Particulars	As at March 31, 2014		As at March 31, 2013	
(5) CURRENT ASSETS				
a) Inventories	**15,410.60**		13,500.40	
b) Trade receivables	**15,664.06**		19,512.78	
c) Cash and bank balances	**5,122.86**		2,693.11	
d) Loans and advances	**1,456.00**		1,517.31	
e) Other current assets (includes assets held for sale Rs.726.37 Lakhs (as at March 31, 2013 Rs.793.09 Lakhs)	**2,904.06**		2,368.42	
		40,557.58		39,592.02
TOTAL		**73,747.10**		70,417.77

Note: Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Schedule VI to the Companies Act, 1956 are available at the Company's website, www.kirloskar-electric.com .

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2014.

In accordance with our report attached

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

CA. C R Krishna
Partner

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

Vijay R Kirloskar
Chairman & Managing Director

Sarosh J Ghandy
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : May 28, 2014

Abridged Profit and Loss Account for the year ended March 31, 2014.

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

(₹ in Lakhs)

Particulars	Current Year		Previous Year	
INCOME				
I. **Revenue from operations:**				
a) Sale of products manufactured	**73,924.87**		87,537.96	
b) Sale of services	**916.06**		874.21	
	74,840.93		88,412.17	
Less: excise duty	**6,856.66**		8,217.90	
Net revenue from operations		**67,984.27**		80,194.27
II. **Other income**				
a) Profit on sale of fixed assets		**1,237.61**		–
b) Other income		**482.74**		901.83
Total income (I + II)		**69,704.62**		81,096.10
EXPENDITURE				
a) Cost of materials consumed	**54,823.15**		61,739.59	
b) Changes in inventories of finished goods, work in progress and stock in trade	**(2,201.19)**		(2,617.84)	
		52,621.96		59,121.75
c) Employee benefits expenses		**7,887.83**		8,296.86
d) Finance Costs		**4,193.87**		3,357.92
e) Depreciation and amortisation expense		**1,171.55**		1,703.29
f) Other expenses		**7,934.73**		8,063.56
		73,809.94		80,543.38
Less: Expenses capitalised		**4.59**		21.05
TOTAL		**73,805.35**		80,522.33
Profit / (loss) before tax		**(4,100.73)**		573.77
Less : Tax expense		**0.23**		157.74
Profit / (loss) after tax		**(4,100.96)**		416.03
Earning per share (Face value Rs 10 per share)				
Basic and diluted		**(8.12)**		0.82

REFER NOTES FORMING PART OF THE ABRIDGED FINANCIAL STATEMENTS

Compiled from the audited Financial Statements of the Company referred to in our Report dated May 28, 2014

In accordance with our report attached

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

CA. C R Krishna
Partner

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

Vijay R Kirloskar
Chairman & Managing Director

Sarosh J Ghandy
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : May 28, 2014

Abridged Cash Flow Statement for the year ended March 31, 2014

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Cash flows from operating activities		
1. Cash flows from operating activities	**6,343.89**	2,793.14
2. Cash flows from investing activities	**(1,897.55)**	(2,982.39)
3. Cash flows from financing activities	**(1,624.03)**	(452.48)
4. Net increase/(decrease) in cash and cash equivalents	**2,822.32**	(641.73)
5. Cash and cash equivalents at the beginning of the year	**1,852.79**	2,494.52
6. Cash and cash equivalents at the end of the year	**4,675.11**	1,852.79

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Details of cash and cash equivalents:		
a) Balances with banks	**4,655.59**	1,848.77
b) Cash in hand	**6.14**	4.02
c) Remittances in transit	**13.38**	–
	4,675.11	1,852.79

In accordance with our report attached

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

CA. C R Krishna
Partner

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

Vijay R Kirloskar
Chairman & Managing Director

Sarosh J Ghandy
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : May 28, 2014

NOTES TO ABRIDGED 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:

The financial accounts are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles and in accordance with the provisions of the Companies Act, 1956. 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 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.

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 have been computed on weighted average basis.

2.7 DEPRECIATION:

(i) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on March 31, 1994.

(ii) In respect of additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.

(iii) 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.

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

(v) Depreciation on software is charged over a period of 36 months.

(vi) Depreciation on technical know-how fees and product development are written over a period of six years

(vii) Project specific tools are depreciated over the life of the project.

(viii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than Rs.5,000/- is depreciated fully.

2.8 REVENUE RECOGNITION:

(i) Sale of goods is recognized on shipment of goods and transfer of significant risks and rewards to customers and excludes recovery towards sales tax.

(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.

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 and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial 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.

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 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.

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 profit and loss account, 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.

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 ABRIDGED FINANCIAL STATEMENTS

3. Contingent liabilities and commitments: (Note 23 of the financial statement)
(to the extent not provided for)

a) Contingent liabilities:

(₹ in Lakhs)

Sl. No.	Particulars	As at March 31, 2014	As at March 31, 2013
i)	Claims against the Company not acknowledged as debts	**1,367.78**	2,684.82
ii)	Guarantees	**4,324.93**	4,973.74
ii)	Letters of credit	**5,634.68**	7,026.65
iv)	Bills discounted with bank	**1,864.81**	1,882.36
v)	Penal damages levied by the Regional Provident Fund commissioner. During the year High Court of Karnataka, Bangalore has quashed the demand and referred the matter to the original authority. An amount of Rs.46.18 lakhs paid has been included in disputed statutory due.	**Nil**	91.54
vi)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	**338.62**	226.60
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of Rs.432.56 lakhs (as at March 31, 2013 Rs.420.66 lakhs) against the demand which has been included in disputed statutory dues.	**1,946.03**	1,795.00
viii)	The Company has filed before the honorable Supreme Court, special leave petitions in respect of resale tax and sales tax penalty of Rs. 527 lakhs and Rs. 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 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. The Company has paid an aggregate amount of Rs.530.13 lakhs (as at March 31, 2013 Rs.510.13 lakhs) against the demand which has been included in disputed statutory dues.	**889.00**	889.00
ix)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination.	**10.22**	45.99
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.	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement.	**Not Ascertainable**	Not Ascertainable
xiv)	Income tax demands under appeal. The Company has paid an amount of Rs.48.82 lakhs as at 31 March 2014 (as at March 31, 2013 Rs.48.82 lakhs) against the demand which has been included in advance payment of tax.	**398.13**	64.38
xv)	Guarantee given to ICICI Bank in consideration of stand by letter of credit opened by them in favor of ICICI Bank,Canada as security for loan granted issued by them to Kirsons BV. SBLC is secured by mortgage of certain immovable properties of the company and shares of Kirsons BV	**1,399.70**	3,573.65
xvi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of Rs. 200 lakhs (as at March 31, 2012 Rs. 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of Rs.200 lakhs along with dividends in arrears of Rs.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 DRAT directed to deposit sum of Rs.128 lakhs for further hearing the matter. On waiver of the conditions of depositing any amount, against the company, Company has filed a writ before Honorable High court of Karnataka. The Company does not acknowledge this liability.	**405.60**	405.60
xvii)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,162.49**	1,162.49

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

b) Commitments

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**255.44**	306.05
ii)	The Company has entered into an agreement with related party to sell a portion of an immovable property owned by it.	**305.59**	Nil

NOTES TO ABRIDGED FINANCIAL STATEMENTS

4. Note 35 of the financial statements:

(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 Equipments Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

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

5. Note 37 of the financial statements:

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 is not expected to be material.

6. Note 38 of the financial statements:

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.

7. Note 39 of the financial statements:

The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company has made significant progress in stabilization of the systems, cleansing data and bringing the valuation in line with accounting standard 2 . The management has also formed a task force for liquidation of slow/non moving inventories. The Company is in the process of quantifying the differences adjusted / to be adjusted in the books of account as a comprahensive basis. Any further adjustments required to the financial statements is not expected to be material.

8. Note 40 of the financial statements:

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.

9. Note 41 of the financial statements:

Current assets, loans and advances include Rs.241.11Lakhs (as at March 31, 2013 Rs.243.32Lakhs) 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.

10. Note 42 of the financial statements:

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, 2014 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

NOTES TO ABRIDGED FINANCIAL STATEMENTS

11. Note 43 of the financial statements:
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:

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Employer's contribution to provident and pension funds	**377.90**	378.00
Employer's contribution to superannuation fund	**126.66**	115.46

(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)

	As at March 31, 2014		As at March 31, 2013	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined benefit obligation at beginning of the year	**2,707.63**	**460.52**	2,383.95	480.52
Current service Cost	**130.53**	**84.53**	113.14	69.57
Interest cost	**175.76**	**36.84**	173.65	41.32
Additional provision for increase in limit of gratuity/ in excess of limit	**35.62**	**–**	74.61	–
Actuarial (gain)/ loss	**(102.34)**	**(103.59)**	277.43	(130.89)
Benefits Paid	**(457.73)**	**–**	(315.15)	–
Defined benefit obligation at end of the year	**2,489.47**	**478.30**	2,707.63	460.52
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**1,764.41**	**138.20**	1,669.97	123.16
Expected return on plan assets	**145.51**	**11.26**	154.48	11.81
Employer Contribution	**27.22**	**–**	264.34	5.00
Benefits paid	**(457.73)**	**–**	(315.16)	–
Actuarial gain/(loss)	**(10.38)**	**(1.94)**	(9.22)	(1.77)
Fair value of plan assets at year end	**1,469.03**	**147.52**	1,764.41	138.20
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**1,469.03**	**147.52**	1,764.41	138.20
Present value of obligation	**2,489.47**	**478.30**	2,707.63	460.52
Amount recognized in Balance Sheet under liabilities:	**1,020.44**	**330.78**	943.22	322.32
	Current Year		Previous Year	
4. Expense recognized during the year: (under "Note 28" Employee Benefit Expenses" in the Statement of profit and loss)				
Current service cost	**130.53**	**84.53**	113.14	69.57
Interest cost	**175.76**	**36.84**	173.65	41.32
Expected return on plan assets	**(145.51)**	**(11.26)**	(154.48)	(11.81)
Additional provision for increase in limit of gratuity/ in excess of limit	**35.62**	**–**	74.61	–
Actuarial (gain)/ loss	**(91.96)**	**(101.65)**	286.65	(129.12)
Net cost	**104.44**	**8.46**	493.57	(30.04)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Actuarial assumptions:	As at March 31, 2014		As at March 31, 2013	
Mortality table	**Indian Assured Lives (2006 -08) (Ultimate)**	**Indian Assured Lives (2006 -08) (Ultimate)**	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)
Discount rate (per annum)	**9.25%**	**9.25%**	8.00%	8.00%
Expected rate of return on plan assets (per annum)	**9.40%**	**8.15%**	9.40%	8.15%
Rate of escalation in salary (per annum)	**7.00%**	**7.00%**	7.00%	7.00%

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

12. Note 44 of the financial statements:

SEGMENT REPORTING:

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

(₹ in Lakhs)

Particulars	Primary Segment			
	Power Generation and distribution	**Rotating machine group**	**Others**	**Total**
1. Segment revenues:				
External revenues	**31,608.77** (40,861.21)	**37,864.05** (42,831.63)	**5,368.11** (4,719.32)	**74,840.93** (88,412.16)
Intersegment revenues	**697.96** (654.80)	**1,186.58** (1,750.19)	**18.99** (25.25)	**1,903.53** (2,430.24)
Total revenues	**32,306.73** (41,516.01)	**39,050.63** (44,581.82)	**5,387.10** (4,744.57)	**76,744.46** (90,842.40)
2. Segment results				
Profit before taxation and interest	**616.70** (2,835.94)	**1,602.73** (4,248.24)	**1,427.63** (1,143.00)	**3,647.06** (8,227.18)
Less: Interest				**4,193.87** (3,357.92)
Less : Depreciation and amortisation				**1,171.55** (1,703.29)
3. Unallocable expenditure				**4,102.72** (3,494.03)
4. Unallocable and Other Income (including extraordinary items)				**1,720.35** (901.83)
5. Less: Tax expenses				**0.23** (157.74)
Total profit				**(4,100.96)** (416.03)
6. Segment assets	**17,799.90** (23,262.20)	**28,092.50** (27,987.68)	**1,618.83** (1,786.94)	**47,511.23** (53,036.82)
7. Unallocable assets				**26,235.87** (17,380.95)
8. Segment liabilities	**17,072.15** (17,656.04)	**14,611.59** (12,705.27)	**785.08** (68.51)	**32,468.82** (30,429.82)
9. Unallocable liabilities				**25,815.43** (20,424.14)
10. Capital expenditure	**325.53** (40.51)	**148.90** (120.93)	**1.88** (2.18)	**476.31** (163.62)
11. Unallocated capital expenditure				**86.16** (114.62)

NOTES TO ABRIDGED FINANCIAL STATEMENTS

13. Note 45 of the financial statements:

RELATED PARTY TRANSACTIONS;

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1.	Kirsons B V	Wholly Owned Subsidiary
2.	Lloyd Dynamowerke GmbH & Co. KG Lloyd Beteiligungs GmbH	Step down subsidiary
3.	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (Upto February 28, 2013) Mr. Alok Kumar Gupta (from March 15, 2013)	Key Management Personnel and their relatives (“KMP”)
4.	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
5.	Kirloskar Batteries Private Limited Kirloskar Power Equipments 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”)

NOTES TO ABRIDGED FINANCIAL STATEMENTS

(b) **Transactions with the related parties**

(₹ in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of Goods and services:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	**–**	20.69
Vijay Farms Private Limited	Others	**49.97**	77.30
Sri Vijayadurga Investments and Agencies Private Limited		**159.15**	109.30
Vijayjyothi Investments and Agencies Private Limited		**–**	1.69
Ravindu Motors Private Limited		**1.35**	1.30
Vijaykirti Investments Private Limited		**–**	0.48
Abhiman Trading Company Private Limited		**96.23**	70.60
Kirloskar Electric Charitable Trust		**5.63**	5.74
Sale of Goods and services:			
Kirsons BV	Subsidiary	**–**	113.75
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	**503.99**	30.98
Kirloskar (Malaysia) Sdn. Bhd	Associates	**109.38**	351.19
Ravindu Motors Private Limited	Others	**19.56**	–
Kirloskar Electric Charitable Trust		**0.26**	–
Kirloskar Power Equipments Limited	Others	**–**	5.77
Rent received:			
Ravindu Motors Private Limited	Others	**25.22**	26.97
Rent paid:			
Kirloskar Power Equipments Limited	Others	**10.00**	251.00
Vijayjyothi Investments and Agencies Private Limited		**–**	156.00
Donations paid:			
Kirloskar electric Charitable Trust	Others	**–**	45.00
Dividend received:			
Kirloskar (Malaysia) Sdn. Bhd	Others	**1.67**	–
Remuneration paid:			
Vijay R Kirloskar*	KMP	**203.38**	180.79
Anuj Pattanaik*		**–**	108.66
Alok Kumar Gupta*		**106.15**	4.54
Janaki Kirloskar		**3.43**	2.78
Rukmini Kirloskar		**6.42**	5.72
Meena Kirloskar (Sitting Fees)		**1.07**	1.22
Interest paid:			
Vijay R Kirloskar	KMP	**9.15**	–
Rukmini Kirloskar		**1.29**	2.29
Meena Kirloskar		**1.55**	2.87
KEC Executives & Others Officers Welfare Trust	Others	**1.15**	1.15
KEC Officers & Engineers Welfare Trust		**1.15**	1.15
KEC Vice Presidents Welfare Trust		**1.72**	1.72
KEC Engineers of Mysore Unit Welfare Trust		**0.57**	0.57
Investments made:			
Kirsons B V **	Subsidiary	**3,628.13**	2,810.41

* 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

** Includes expenses incurred in connection of acquisition of subsidiary Rs.917.92 lakhs (31 March 2013 Rs. 909.13 lakhs)

NOTES TO ABRIDGED FINANCIAL STATEMENTS

(b) **Transactions with the related parties (Contd.)**

(₹ in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Fixed deposit renewed / accepted during the year			
Vijay R Kirloskar	KMP	**100.00**	–
KEC Executives & Others Officers Welfare Trust	Others	**10.00**	10.00
KEC Officers & Engineers Welfare Trust		**10.00**	10.00
KEC Vice Presidents Welfare Trust		**15.00**	15.00
KEC Engineers of Mysore Unit Welfare Trust		**5.00**	5.00
Fixed deposits repaid during the year			
Rukmini Kirloskar	KMP	**20.00**	–
Meena Kirloskar		**25.00**	–
Inter company deposit accepted:			
Vijayjyothi Investments & Agencies Private Limited	Others	**400.00**	–
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others	**325.44**	–
Interest paid:			
Vijayjyothi Investments & Agencies Private Limited	Others	**29.14**	–
Advance received for sale of asset:			
Ravindu Motors Private Limited	Others	**305.59**	–

c) **Outstanding balances at the end of the year:**

(₹ in Lakhs)

Particulars	Relationship	As at March 31, 2014	As at March 31, 2013
Amount due to Company:			
Kirsons BV	Subsidiary	**39.13**	37.82
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	**498.07**	29.72
Kirloskar (Malaysia) Sdn. Bhd	Associate	**160.07**	167.93
Kirloskar Power Equipments Limited	Others	**446.76**	450.59
Vijay Farms Private Limited		**187.47**	181.87
Sri Vijayadurga Investments and Agencies Private Limited		**31.96**	31.88
Vijayjyothi Investments and Agencies Private Limited		**111.51**	111.51
Ravindu Motors Private Limited		**0.14**	2.11
Abhiman Trading Company Private Limited		**69.05**	69.05
Kirloskar Batteries Private Limited		**5.46**	5.46
Amount due from Company:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	**162.25**	138.08
Kirloskar Batteries Private Limited	Others	**25.89**	25.89
Kirloskar Electric Charitable Trust		**5.20**	0.57
Kirlokar Power Equipments Limited		**63.55**	113.95
Vijay Farms Private Limited		**2.23**	11.12
Vijayjyothi Investments and Agencies Private Limited		**74.56**	79.84
Abhiman Trading Company Private Limited		**29.28**	18.64
Sri Vijayadurga Investments and Agencies Private Limited		**15.86**	9.72
Ravindu Motors Private Limited		**305.59**	–
Fixed Deposits outstanding at the end of the year:			
Vijay R Kirloskar	KMP	**100.00**	–
Rukmini Kirloskar		**–**	20.00
Meena Kirloskar		**–**	25.00
Investments held:			
Kirsons BV	Subsidiary	**19,086.66**	15,458.53

NOTES TO ABRIDGED FINANCIAL STATEMENTS

(c) **Transactions with the related parties (Contd.)**

(₹ in Lakhs)

Particulars	Relationship	As at March 31, 2014	As at March 31, 2013
Guarantees given by the Company and outstanding at the end of the year for the loan taken by: Kirsons BV	Subsidiary	**1,399.70**	3,573.64
Guarantees given for the loans taken by the Company and outstanding at the end of the year by: Vijay R Kirloskar	KMP	**12,630.04**	12,553.94

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.

14. Note 46 of the financial statements:

FINANCE LEASE:

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

(₹ in Lakhs)

Sl. No.	Particulars	Total minimum lease payments outstanding as at March 31, 2014	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2014
1.	Within one year	**9.81** (47.19)	**0.46** (5.29)	**9.35** (41.90)
2.	Later than one year but not later than five years	**–** (8.41)	**–** (0.35)	**–** (8.06)
	Total	**9.81** (55.60)	**0.46** (5.64)	**9.35** (49.96)

15. Note 47 of the financial statements:

OPERATING LEASE:

The Company has various operating leases for office facilities, guest house and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.299.66 Lakhs (Previous Year Rs.636.73 Lakhs).

16. Note 48 of the financial statements:

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

(₹ in Lakhs)

Sl. No.	Particulars	Wage Arrears	Short term Compensated Absences	Stamp Duty	Warranty Claims
1.	Balance outstanding at the beginning of the year	**172.96** (336.16)	**20.45** (20.45)	**597.06** (619.21)	**389.27** (442.41)
2.	Provision for the year (Net)	**72.06** (163.20)	**(1.84)** (-)	**(486.66)** (-22.15)	**(32.20)** (-53.14)
3.	Balance outstanding at the end of the year	**245.02** (172.96	**18.61** (20.45)	**110.40** (597.06)	**357.07** (389.27)

NOTES TO ABRIDGED FINANCIAL STATEMENTS

17. Note 49 of the financial statements:

(a) The Company has entered into forward contracts which were outstanding as at March 31, 2014 for Nil (as at March 31, 2013: $ 1,136,045) to hedge certain trade payables.

(b) The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2014 are as under:

Particulars	**As at March 31, 2014**		As at March 31, 2013	
	FCY	(₹ in Lakhs)	**FCY**	(₹ in Lakhs)
Assets (Receivables)	**$ 6,07,502.00** **€ 9,22,522.00** **£ 2,591.20**	**1,123.71**	$ 9,23,872.00 € 2,42,728.00 £ 6,885.00	662.44
Liabilities (Payables)	**$ 20,99,818.00** **€ 1,99,635.00** **£ –** **SGD 6,94,251.00**	**1,730.42**	$ 4,38,278.00 € 2,45,833.00 £ 517.00 SGD –	412.30

18. Note 50 of the financial statements:

LDW has incurred substantial losses for the current and immediate previous years, thereby eroding its networth. However, LDW has sufficient orders in hand and is confident of earning profits in the subsequent years. The Company has formulated a turn around strategy for the said company, which has been progressing well. The diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) is considered temporary and no provision is considered necessary. The Company had obtained an independent valuation report in August 2013 in terms of which the carrying value as at March 31, 2014 is less than the fair value assessed by the valuer.

19. Note 50 of the financial statements:

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, 2014, 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.

20. 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.,
Chartered Accountants
Firm Registration No. 002878S

CA. C R Krishna
Partner

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

Vijay R Kirloskar
Chairman & Managing Director

Sarosh J Ghandy
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : May 28, 2014

Consolidated
Financial Statements
2013-14

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors,
Kirloskar Electric Company Limited,
Bangalore.

Report on the Financial Statements:

We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited and its subsidiaries (collectively referred as "the KEC group") as at March 31, 2014, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement of the KEC group for the year ended on that date. These financial statements are the responsibility of the KEC group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the KEC group in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Companies (Accounting Standards) Rules, 2006, as amended. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud and error.

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require 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 and to the best of our information and according to the explanations given to us, the said consolidated financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2014;

(ii) in the case of the consolidated statement of profit and loss, of the losses for the year ended on that date; and

(iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter:

We draw a reference to Note 27(a) (viii) of the financial statements which describes the special leave petitions in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively filed before the honourable Supreme Court and no provision is required to be recognised in this respect for the reasons stated therein. We have relied on the representation and our report is not qualified in this respect.

We draw a reference to Note 45 of the financial statements which describes LDW, a subsidiary has incurred substantial losses for the current and preceding years, thereby eroding its net worth. Management has represented to us that there is no impairment in the value of goodwill arising on consolidation and that no adjustment is required to be carried out to the financial statements for the reasons specified in the said note, although no independent valuation has been carried out as at March 31, 2014. We have relied on the representation and our report is not qualified in this respect.

Other Matters:

a. We have not audited the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.31,334.06 lakhs (as at March 31, 2013 Rs.35,503.43 lakhs) and total revenues for the year of Rs.32,848.18 lakhs (for the year ended March 31, 2013 Rs.27,502.20 lakhs). These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the relevant other auditors.

b. We have not audited the financial statements of Electrical Machine Industries (Bahrain) WLL ("EMIB") and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2014. Consequently, the KEC group's share in the profits/losses of associates as shown separately in the Statement of Profit and Loss and the value of investments in the consolidated balance sheet is solely based on audited financial statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn Bhd, for the year as received from the said associates.

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

CA. C R Deepak
Partner
Membership No. 215398

Place : Bangalore
Date : August 12, 2014

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2014		As at March 31, 2013	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	7	**5,052.14**		5,052.14	
(b) Reserves and surplus	8	**7,158.73**		13,426.33	
			12,210.87		18,478.47
(2) Minority Interest			**(302.96)**		(46.39)
(3) Non - current liabilities					
(a) Long term borrowings	9	**9,044.04**		3,567.98	
(b) Other long term liabilities	11	**1,334.24**		715.00	
(c) Long term provisions	12	**1,351.22**		1,265.54	
			11,729.50		5,548.52
(4) Current liabilities					
(a) Short term borrowings	13	**21,027.42**		22,015.65	
(b) Trade payables	14	**30,996.55**		27,950.72	
(c) Other current liabilities	15	**17,107.72**		15,109.96	
(d) Short term provisions	16	**1,410.27**		2,144.81	
			70,541.96		67,221.14
TOTAL			**94,179.37**		91,201.74
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	17	**15,125.88**		15,997.11	
(ii) Intangible assets	17	**1,444.85**		706.68	
(iii) Capital work in progress	18	**239.67**		429.34	
		16,810.40		17,133.13	
(b) Goodwill on consolidation		**17,151.34**		14,662.20	
(c) Non - current investments	19	**187.81**		215.74	
(d) Deferred tax assets (Net)	10	**2,174.96**		1,728.83	
(e) Long term loans and advances	20	**1,773.12**		1,839.72	
(f) Other non current assets	21	**151.91**		131.00	
			38,249.54		35,710.62
(2) Current assets					
(a) Inventories	22	**23,378.33**		22,654.34	
(b) Trade receivables	23	**20,001.59**		24,385.31	
(c) Cash and cash equivalents	24	**7,288.74**		4,171.16	
(d) Short term loans and advances	25	**1,926.94**		1,911.35	
(e) Other current assets	26	**3,334.23**		2,368.96	
			55,929.83		55,491.12
TOTAL			**94,179.37**		91,201.74
Significant accounting polices and notes to financial statements	1 to 6, 27, 38 to 55				

In accordance with our report attached

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

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

Vijay R Kirloskar
Chairman & Managing Director

A S Lakshmanan
Director

CA. C R Deepak
Partner

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : August 12, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	Note No.		Current Year		Previous Year
I. Revenue from operations	28		**99,103.24**		1,07,298.51
II. Other income	29		**2,943.88**		1,197.15
III. Total revenue (I + II)			**1,02,047.12**		1,08,495.66
IV. Expenses					
Cost of materials consumed	30	**70,456.58**		76,008.85	
Changes in inventories of finished goods, work in progress and stock in trade	31	**(44.72)**		(1,819.91)	
			70,411.86		74,188.94
Employee benefits expenses	32		**19,834.81**		19,155.68
Finance costs	33		**4,938.75**		4,114.09
Depreciation and amortization expense	34		**2,041.33**		2,390.43
Other expenses	35		**14,640.78**		13,616.92
			1,11,867.53		1,13,466.06
Less: Expenses capitalised			**97.49**		79.99
Total expenses			**1,11,770.04**		1,13,386.07
V. Profit/(loss) before extraordinary items and tax (III-IV)			**(9,722.92)**		(4,890.41)
VI. Exceptional items			**–**		16.11
VII. Profit/(loss) before share of income from Associates and Minority interest (V-VI)			**(9,722.92)**		(4,874.30)
VIII. Tax expense:					
(1) Current tax		**62.77**		310.21	
(2) Deferred tax		**(141.13)**		(80.50)	
			(78.36)		229.71
IX. Profit/(loss) after tax expense (VII - VIII)			**(9,644.56)**		(5,104.01)
X. Adjustments					
Add : Share of profit of associates (net of tax)		**(26.27)**		6.30	
Less : Minority Interest profit/(loss)		**(246.55)**		(229.33)	
			220.28		235.63
XI. Profit/(loss) for the year (IX - X)			**(9,424.28)**		(4,868.38)
XII. Earning per equity share:	37				
Basic and diluted			**(18.65)**		(9.64)
Significant accounting polices and notes to financial statements	1 to 6, 27, 38 to 55				

In accordance with our report attached

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

CA. C R Deepak
Partner

Place : Bangalore
Date : August 12, 2014

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

Vijay R Kirloskar
Chairman & Managing Director

A S Lakshmanan
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars		Current Year		Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation		**(9,424.28)**		(4,868.38)
Add : tax expense		**(78.36)**		229.71
		(9,502.64)		(4,638.67)
Adjustments for:				
Depreciation and amortisation	**2,041.33**		2,390.43	
Amortisation and provisons (Net)	**31.75**		883.37	
(Proift) /loss from sale of fixed assets (Net)	**(1,224.29)**		2.41	
Interest received	**(64.77)**		(75.56)	
Extraordinary items	**–**		(16.11)	
Dividends received	**(7.03)**		(5.62)	
Interest expenses	**4,938.75**		4,114.09	
		5,715.74		7,293.01
		(3,786.90)		2,654.34
(Increase)/ decrease in trade and other receivables	**2,871.69**		(1,462.90)	
(Increase)/ decrease in inventories	**(779.93)**		387.27	
Increase/(decrease) in trade payables	**6,189.00**		702.74	
		8,280.76		(372.89)
		4,493.86		2,281.45
Income tax paid		**415.59**		37.40
Net cash from operating activities		**4,078.27**		2,244.05
Cash flows from investing activities				
Purchase of property, plant and equipment (including CWIP)	**(1,792.73)**		(718.33)	
Proceeds from sale of property, plant and equipment	**1,659.43**		2.41	
(Increase)/decrease in value of investments	**27.93**		(6.28)	
Increase in goodwill on consolidation	**(2,489.14)**		(106.36)	
Increase /(decrease) in minority interest	**(256.57)**		(230.71)	
Increase/ (decrease) in foreign currency translation reserve	**2,494.62**		(6.61)	
Increase/(decrease) in capital reserve	**301.06**		22.39	
(Increase)/decrease in other bank balances	**(297.95)**		243.12	
Interest received	**64.77**		75.56	
Dividend received	**7.03**		5.62	
Net cash from investing activities		**(281.55)**		(719.19)
Cash flows from financing activities				
Proceeds from ICD's	**14,722.00**		12,680.00	
Repayment of ICD's	**(15,347.26)**		(11,680.00)	
Proceeds from long term borrowings	**4,843.79**		–	
Proceeds from short term borrowings	**(515.09)**		2,324.02	
Fixed deposits from public accepted	**3,071.00**		1,723.40	
Repayment of fixed deposits from public	**(1,787.50)**		(682.90)	
Repayment of long term borrowings	**(1,499.22)**		(2,486.75)	
Repayment of short term borrowings	**–**		(23.43)	
Repayment of finance lease obligation	**464.44**		(215.72)	
Interest paid	**(4,929.25)**		(4,128.32)	
Extraordinary Income	**–**		16.11	
Net cash from financing activities		**(977.09)**		(2,473.59)
Net increase/(decrease) in cash and cash equivalents		**2,819.63**		(948.73)
Cash and cash equivalents at beginning of year		**1,910.02**		2,858.75
Cash and cash equivalents at end of year		**4,729.65**		1,910.02

Cash and 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	**7,288.74**	4,171.16
Less: Other bank balances	**2,559.09**	2,261.14
Cash and cash equivalents as restated	**4,729.65**	1,910.02

In accordance with our report attached

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

CA. C R Deepak
Partner

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

Vijay R Kirloskar
Chairman & Managing Director

A S Lakshmanan
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : August 12, 2014

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 financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates ("the Group") used in the preparation of this consolidated financial statements have been drawn up on the same reporting date as that of the parent company i.e. year ended March 31, 2014. 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 financial statements of the Company and its subsidiaries have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in the countries in which they operate and in the case of the parent company, they have been prepared to comply in all material aspects with the accounting standards notified under section 211 (3C) (Companies (Accounting Standards) Rules, 2006, as amended) and other relevant provisions of the Companies Act, 1956. The subsidiaries financial statements used for this consolidation are generally in line with Indian GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

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

The step down subsidiaries of the Company referred to in note 6 below have been classified as 'Non Integral Foreign Operations'. Revenue items have been consolidated at the average rate prevailing during the year and all assets and liabilities have been converted at the rates prevailing at the end of the year.

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

4. PRINCIPLES OF CONSOLIDATION:

a) The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled.

b) Investments in associates have been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.

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, and erection and commissioning less depreciation. A portion of the land owned by the Company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible assets

Intangible assets are accounted at cost of acquisition.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5.4 INVENTORIES:

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

5.5 DEPRECIATION:

Parent Company:

a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on March 31, 1994.

b) In respect of additions after April 1, 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act, 1956 has been charged, except otherwise stated.

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

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

e) Depreciation on software is charged over a period of 36 months.

f) Depreciation on Technical Know-how fees and product development are written over a period of six years

g) Project specific tools are depreciated over the life of the project.

h) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than Rs.5,000/- is depreciated fully.

LDW:

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

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

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 goods is recognized on shipment to customers and excludes recovery towards sales tax.
(b) Interest income is recognised on time proportion basis.
(c) Dividend income is recognised, when 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Defined benefit plans:
Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial 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.

There were no defined benefit plans at LDW.

5.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / 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 and loss.

5.13 PROVISIONS AND CONTINGENT LIABILITIES:

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

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

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

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	Ownership percentage	Country of incorporation
Subsidiary :		
Kirsons BV	100%	The Netherlands
Step down subsidiaries:		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.89%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associates:		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33% of its capital is held by LDW	Bahrain
Kirloskar (Malaysia) Sdn.Bhd.	30%	Malaysia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
7. Share capital:				
Authorized:				
Authorized:				
Preference shares of Rs.100/- each	**30,00,000**	**3,000.00**	30,00,000	3,000.00
Equity shares of Rs.10/- each	**6,00,00,000**	**6,000.00**	6,00,00,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Equity shares of Rs.10/- each				
At the beginning of the year	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
At the close of the year	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
Total		**5,052.14**		5,052.14

Other information:

1. Preference shares:

Preference shares bought back during the five years immediately preceding the date of the balance sheet	**23,76,746**	**2,376.75**	23,76,746	2,376.75

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. Equity Shares of Rs.10/- each includes:

(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipments 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. Equity shares so alloted includes 6,174,878 equity shares of Rs.10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.	**1,72,52,550**	**1,725.26**	1,72,52,550	1,725.26
(ii) Shares alloted 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.	**20,00,000**	**200.00**	20,00,000	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.	**60,00,000**	**600.00**	60,00,000	600.00

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

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	**Percentage**	Number	Percentage
a. Abhiman Trading Company Private Limited	**52,17,063**	**10.33%**	52,17,063	10.33%
b. Vijayjyothi Investment & Agencies Private Limited	**42,57,682**	**8.43%**	42,57,682	8.43%
c. KECL Investment Trust	**61,74,878**	**12.22%**	61,74,878	12.22%
d. Mr. Vijay Ravindra Kirloskar	**39,13,269**	**7.75%**	38,90,811	7.70%
e. Vijaykirti Investments and Agencies Private Limited	**30,64,094**	**6.06%**	30,64,094	6.06%
f. Life Insurance Corporation of India	**25,76,571**	**5.10%**	25,76,571	5.10%
g. Vijay Farms Private Limited	**35,40,807**	**7.01%**	35,40,807	7.01%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
8. Reserves and Surplus:		
a) Capital reserve		
At the beginning of the year	**1,738.29**	1,715.90
Adjustments during the year	**301.06**	22.39
At the end of the year	**2,039.35**	1,738.29
b) Capital redemption reserve		
At the beginning of the year	**2,401.75**	2,401.75
At the end of the year	**2,401.75**	2,401.75
c) Debenture redemption reserve		
At the beginning of the year	**494.00**	494.00
At the end of the year	**494.00**	494.00
d) Revaluation reserve		
At the beginning of the year	**480.41**	480.41
At the end of the year	**480.41**	480.41
e) Reconstruction reserve		
At the beginning of the year	**641.67**	641.67
At the end of the year	**641.67**	641.67
f) Reserve for doubt ful debts		
At the beginning of the year	**90.00**	90.00
At the end of the year	**90.00**	90.00
g) Foreign currency translation reserve		
At the beginning of the year	**967.99**	974.60
Adjustments on account of exchange fluctuation	**2,855.62**	(6.61)
At the end of the year	**3,823.61**	967.99
h) Surplus i.e. balance in statement of profit and loss		
At the beginning of the year	**6,612.22**	11,480.60
Transferred from statement of profit and loss	**(9,424.28)**	(4,868.38)
At the end of the year	**(2,812.06)**	6,612.22
Total closing balance	**7,158.73**	13,426.33
9. Long term Borrowings		
1) Secured Loans:		
a. Finance lease obligations (refer note 49)	**514.40**	49.96
b. Term loans from banks	**7,363.76**	3,994.08
c. Car loan from a company	**10.95**	36.06
	7,889.11	4,080.10
Less: Current maturities	**2,822.95**	2,519.52
	5,066.16	1,560.58
2) Unsecured Loans:		
a. Fixed deposits	**4,336.20**	3,204.82
	4,336.20	3,204.82
Less: Current maturities	**358.32**	1,197.42
	3,977.88	2,007.40
3) Total long term borrowings (1+2)	**9,044.04**	3,567.98
Additional information:		
1) Details of security for secured loans:		
a. Against assets purchased on finance lease	**514.40**	49.96
b. Against security of Motor cars	**10.95**	36.06
c. Term loan at LDW is secured by first charge on specific Land and building and plant and machinery procured by LDW	**411.68**	420.43
d. Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in the favour of ICICI Bank , Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of KEC.	**2,099.54**	3,573.65
e. Term Loan of LDW from banks secured by charge on fixed assets and current assets excluding specific charge given to other lenders.	**1,852.54**	–
f. Term Loan from bank in India is secured against the equitable mortgage of certain immovable properties of the Company and guaranteed by the Chairman and Managing Director of the Company.	**3,000.00**	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Terms of repayment of term loans and others

a) Finance lease:

Finance lease relate to plant and machinery taken for a period of five years. Interest on such lease is ranging between 13% to 14% p. a. Average equated monthly instalment is Rs.1.58 lakhs per month.

Finance lease repayable in monthly instalmenting commencing from October 2012 to September 2017.

b) Car loans:

Car loans are for a period of three to five years and interest rate is about 10% p.a. Average equated monthly instalment is about Rs.2.30 lakhs per month.

c) From bank:

(i) Term loan at LDW is repayable in 40 quarterly instalments of €25,000 each and carry an interest rate of 3 months Euribor plus 2.5%.

(ii) Term loan of Kirsons BV is repayable in 20 quarterly equal instalments of Euro 850,000 and carry an interest rate of Euribor plus 2%.

(iii) Term loan of LDW from banks are repayable in half yearly instalments and carry an interest rate of 5% to 7.37%.

(iv) Term loan of the Company carries interest at Corporation Bank base rate plus 3.60% and is repayable in 60 equated monthly instalments of Rs.69.57 lacs per month.

3) Unsecured loans:

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

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
10. Deferred tax:		
In India		
i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,899.52**	1,658.76
Total	**1,899.52**	1,658.76
ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**1,067.23**	741.65
b) On account of Unabsorbed losses and depreciation under Income Tax Act, 1961 (restricted to)	**832.29**	917.11
Total	**1,899.52**	1,658.76
Net Deferred tax (liability)/asset	–	–
In Germany		
i) Deferred tax liability:		
a) Dissolution from supplementary tax balance sheet	**15.88**	42.90
b) On account of timing differences in recognition of expenditure	**0.57**	31.73
Total	**16.45**	74.63
ii) Deferred tax asset:		
a) On account of depreciation on fixed assets	**1,242.96**	1,207.84
b) On account of timing differences in recognition of expenditure	**0.45**	47.88
c) On account of unabsorbed losses and depreciation available under the relevant fiscal legislations.	**948.00**	547.74
Total	**2,191.41**	1,803.46
Net Deferred tax asset	**2,174.96**	1,728.83
Total net deferred tax asset	**2,174.96**	1,728.83
11. Other long term liabilities		
Security deposits from supplier, dealers etc	**1,334.24**	715.00
	1,334.24	715.00
12. Long term provisions		
Provisions for employee defined benefit plans (refer note.46)	**1,351.22**	1,265.54
	1,351.22	1,265.54
13. Short term borrowings		
1) Secured loans:		
a) Loans repayable on demand - from banks	**16,984.13**	17,512.56
b) Loan against pledge of fixed deposit from Bank	**14.41**	1.07
	16,998.54	17,513.63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
(2) Unsecured loans:		
a) Fixed deposits	**634.14**	482.02
b) Inter corporate deposits	**3,394.74**	4,020.00
	4,028.88	4,502.02
Total	**21,027.42**	22,015.65
Additional information:		
(1) Details of security for secured loans		
a) First pari passu charge on all current assets, certain fixed assets and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company and all the loans carry an interest of about 13% to 14%	**9,630.05**	10,671.58
b) Against pledge of fixed deposits	**14.41**	1.07
c) Working capital facilities at LDW are secured by first charge on current assets and second charge on all fixed assets exculding assets charged to term lenders and carry an interest ranging between 4.9% to 7.35%	**7,354.08**	6,840.98

(2) Unsecured loans

a) Fixed deposits are taken for a period of 12 months with interest rates ranging from 11.5%
b) Fixed deposits accepted from related parties amount to Rs.100 lakhs (as at March 31, 2013: Rs.45 lakhs)
c) ICDs are taken for periods ranging between 90 to 360 days with interest rates averaging to 16% per annum.
d) Fixed deposits include Rs.36.24 lakhs (as at March 31, 2013: Rs.3.02 lakhs) matured unclaimed deposits.

14. Trade payables		
i) Trade payables	**17,635.61**	17,716.47
ii) Acceptances	**13,360.94**	10,234.25
	30.996.55	27,950.72

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, 2014	As at March 31, 2013
1	Principal amount due and remaining unpaid	**57.40**	1,073.23
2	Interest due on (1) above and the unpaid interest	**12.75**	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**65.19**	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	**12.75**	Nil
6	Interest accrued and remaining unpaid	**12.75**	Not ascertained
7	Amount of further interest remaining due and payable in succeeding years	**12.75**	Not ascertained

Note: The Company has been legally advised that dues to micro, medium and small enterprises where letters of credit have been opened in their favour by the Company's bankers on or before March 31, 2014 are not 'Principal amount due and remaing due and unpaid'. Accordingly, the amounts due to them, pending payout by the Company's bankers have not been included therein.

15. Other current liabilities:		
a) Current maturities of long term debt	**2,627.92**	2,452.51
b) Current maturities of finance lease obligations	**184.08**	41.90
c) Current maturities of car loan from bank and a Company	**10.95**	25.11
d) Current maturities of Fixed deposits	**358.32**	1,197.42
e) Interest accrued but not due on loans and deposits	**235.40**	225.90
f) Statutory liabilities	**844.26**	716.69
g) Other liablities	**5,150.39**	4,715.05
h) Trade advances	**7,390.81**	5,735.38
i) Advance for sale of asset	**305.59**	–
	17,107.72	15,109.96
16. Short term provisions:		
a) Provision for short term compensated absences (refer note 51)	**18.61**	20.45
b) Provision for wage arrears (refer note 51)	**245.02**	172.96
c) Provision for warranty (refer note 51)	**843.75**	617.01
d) Provision for stamp duty (refer note 51)	**110.40**	597.06
e) Provision for contingencies (refer note 51)	**186.41**	730.51
f) Provision for tax (Net of advance tax outside India)	**6.08**	6.82
	1,410.27	2,144.81

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. FIXED ASSETS

(₹ in Lakhs)

Particulars	GROSS BLOCK (At cost)					DEPRECIATION					NET BLOCK	
	As at April 1, 2013	Additions for the year	Adjustments on account of Exchange Fluctuation	Deductions/ Adjustments during the year #	As at March 31, 2014	As at April 1, 2013	For the year	Adjustments on account of Exchange Fluctuation	Deductions/ Adjustments during the year #	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets												
Own assets												
Land	1,699.25	3.75	85.41	–	1,788.41	–	–	–	–	–	1,788.41	1,699.25
Building (*)	6,159.13	235.74	191.31	68.29	6,517.89	1,927.27	179.88	72.36	25.55	2,153.96	4,363.93	4,231.86
Plant and equipment	20,478.91	191.31	693.31	453.00	20,910.90	13,950.46	1,101.56	610.77	211.72	15,451.07	5,459.83	6,528.45
Tools and Jigs	1,380.83	98.75	–	–	1,479.58	798.05	91.78	–	–	889.83	589.75	582.78
Electrical installations	206.76	–	–	–	206.76	93.90	10.83	–	–	104.73	102.03	112.86
Motor vehicles	549.43	–	11.63	41.41	519.65	295.55	40.51	6.16	12.63	329.59	190.06	253.88
Office equipments	1,760.08	251.80	176.48	–	2,188.36	1,314.52	95.32	223.43	–	1,633.27	555.09	445.56
Furniture and fittings	1,428.10	34.30	–	11.82	1,450.58	1,089.23	60.24	–	6.28	1,143.19	307.39	338.87
Leasehold improvements	313.35	–	–	–	313.35	54.30	10.45	–	–	64.75	248.60	259.05
Assets taken on finance lease												
Land ($)	1,500.46	20.16	–	0.88	1,519.74	–	–	–	–	–	1,519.74	1,500.46
Plant and machinery	1,033.39	–	–	–	1,033.39	989.30	43.04	–	–	1,032.34	1.05	44.09
	36,509.69	**836.18**	**1,158.14**	**575.40**	**37,928.61**	**20,512.58**	**1,633.61**	**912.72**	**256.18**	**22,802.73**	**15,125.88**	**15,997.11**
Intangible assets												
Goodwill	423.46	–	–	–	423.46	423.46	–	–	–	423.46	–	–
Computer software	1,597.03	406.63	193.89	–	2,197.55	1,163.07	227.70	126.18	–	1,516.95	680.60	433.96
Technical knowhow and product development	438.65	–	52.21	173.87	316.99	165.93	106.05	4.34	57.95	218.37	98.62	272.72
Assets taken on finance lease												
Computer software	–	739.59	–	–	739.59	–	73.96	–	–	73.96	665.63	–
	2,459.14	**1,146.22**	**246.10**	**173.87**	**3,677.59**	**1,752.46**	**407.71**	**130.52**	**57.95**	**2,232.74**	**1,444.85**	**706.68**
TOTAL	**38,968.83**	**1,982.40**	**1,404.24**	**749.27**	**41,606.20**	**22,265.04**	**2,041.32**	**1,043.24**	**314.13**	**25,035.47**	**16,570.73**	**16,703.79**
	(37,592.69)	(887.03)	(511.35)	(22.24)	(38,968.83)	(19,411.85)	(2,390.43)	(480.18)	(17.42)	(22,265.04)		

Additional information:

1) (*) Includes Rs.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 Rs.68.70 and from UPSIDC aggregates to Rs.1,451.04. On expiry of lease periods, payment of balance considerations if any, and execution of sale deeds, the relevant title will pass to the Company.
3) (#) The competent authority has determined the stamp duty payable on the Scheme at Rs 171.18 lakhs. Consequential excess provision of Rs 478.82 lakhs has been withdrawn and credited to fixed assets. Resultant excess provision for depreciation has been withdrawn and credited to Statement of profit and loss.
4) Additions to and deductions from fixed assets include inter head transfers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
18. Capital work in progress:		
Tangible assets:		
i) Plant and Machinery	**74.10**	46.95
ii) Building under construction $	**165.57**	382.39
	239.67	429.34

$ Work on buildings under construction (carrying value Rs.151.56 lakhs) has been temporarily suspended. The management will intiate action to complete the building in the ensuing year.

19. Non current investments:

Details of Investments	Name of the Company	As at March 31, 2014 No of Shares	Face Value	₹ in Lakhs	As at March 31, 2013 No. of Shares	Face Value	₹ in Lakhs
a) Investments in Equity Instruments:							
i) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	**3,00,000**	**MR1**	**27.85**	3,00,000	MR1	65.68
	Electrical Machines Industries (Baharin) WLL			**78.86**			68.96
ii) Others							
Fully paid up							
	ICICI Bank Ltd (on merger of Sangli Bank Limited)	**1,081**	**10**	**1.00**	1,081	10	1.00
	The Mysore Kirloskar Limited (refer note 3 below)	**7,70,750**	**10**	**–**	7,70,750	10	–
	Kirloskar Proprietary Limited	**26**	**100**	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.53**	1,272	K.Sh 1000	8.53
	Kirsons Trading Pte.Limited	**56,250**	**SGD 1**	**11.20**	56,250	SGD 1	11.20
	Kirloskar Power Equipments Limited	**3,40,000**	**10**	**59.09**	3,40,000	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			**187.81**			215.74

Additional information:

1) Aggregate value of quoted investments:

Cost	**1.00**	1.00
Market Value	**13.46**	11.30

2) Aggregate value of unquoted investments:

Cost	**186.81**	214.74

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
20. Long term loans and advances:		
(Unsecured, considered good)		
i) Capital advances	**90.29**	229.42
ii) Security deposits	**386.28**	342.36
iii) Loans and advances to related parties	**280.00**	280.00
iv) Disputed tax liabilities/ taxes refundable	**1,016.55**	987.94
	1,773.12	1,839.72
Debts from a private company in which a director of the Company is a director	**100.00**	100.00
21. Other non current assets		
(unsecured, considered good)		
i) Long term trade receivables	**78.85**	105.01
ii) Advance payment of tax -(Net)	**73.06**	25.99
	151.91	131.00
22. Inventories:		
i) Raw materials, stores, spares and components	**4,943.60**	4,116.31
ii) Work in progress	**15,397.94**	15,359.48
iii) Finished goods	**2,995.11**	3,068.15
iv) Others	**4.24**	4.50
Goods in transit:		
i) Raw materials, stores, spares and components	**11.22**	103.30
ii) Finished goods	**82.16**	2.60
	23,434.27	22,654.34
Less: Provision for non-moving stocks	**55.94**	–
	23,378.33	22,654.34
23. Trade receivables:		
i) Trade receivables exceeding six months	**6,451.32**	7,109.41
ii) others	**14,922.12**	18,102.50
	21,373.44	25,211.91
Less: Allowance for doubtful debts	**1,371.85**	826.60
	20,001.59	24,385.31
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**20,001.59**	24,385.31
ii) Doubtful	**1,371.85**	826.60
Total	**21,373.44**	25,211.91
Less: Allowance for doubtful debts	**1,371.85**	826.60
	20,001.59	24,385.31
2) Debts due from private companies in which directors of the Company are directors	**8.48**	10.99
24. Cash and cash equivalents:		
a) Cash and cash equivalents		
i) Balances with banks		
- in other accounts	**4,710.13**	1,906.00
ii) Cash on hand	**6.14**	4.02
iii) Funds in transit	**13.38**	–
	4,729.65	1,910.02
b) Other bank balances		
i) Balances with banks		
- in short term deposits	**78.09**	357.66
- in margin money, security for borrowings, guarantees and other commitments	**2,481.00**	1,903.48
	2,559.09	2,261.14
Total (a+b)	**7,288.74**	4,171.16
25. Short term loans and advances:		
i) Loans and advances to related parties (refer note 48)	**266.76**	264.82
ii) Others	**2,009.32**	1,983.71
	2,276.08	2,248.53
Less: Allowance for doubtful advances	**349.14**	337.18
	1,926.94	1,911.35

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**1,926.94**	1,911.35
ii) Doubtful	**349.14**	337.18
Total	**2,276.08**	2,248.53
Less: Allowance for doubtful advances	**349.14**	337.18
	1,926.94	1,911.35
2) Debts due from private companies in which directors of the Company are directors	**252.77**	334.25
26. Other current assets		
i) Central excise receivable	**730.00**	723.02
ii) VAT receivable	**1,877.86**	852.85
iii) Assets held for sale (refer note 43)	**793.09**	793.09
	3,400.95	2,368.96
Less: Provision for asset held for sale	**66.72**	–
	3,334.23	2,368.96

27. Contingent liabilities and commitments:
(to the extent not provided for)
a) Contingent liabilities:

(₹ in Lakhs)

Sl. No.	Particulars	As at March 31, 2014	As at March 31, 2013
i)	Claims against the Company not acknowledged as debts	**1,367.78**	2,684.82
ii)	Guarantees	**13,906.07**	11,758.06
iii)	Letters of credit	**5,634.68**	7,026.65
iv)	Bills discounted with Bank	**1,864.81**	1,882.36
v)	Penal damages levied by the Regional Provident Fund commissioner. During the year High Court of Karnataka, Bangalore has quashed the demand and referred the matter to the original authority An amount of Rs.46.18 lakhs paid has been included in disputed statutory due.	**Nil**	91.54
vi)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	**338.62**	226.60
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of Rs.432.56 lakhs (as at March 31, 2013 Rs.420.66 lakhs) against the demand which has been included in disputed statutory dues.	**1,946.03**	1,795.00
viii)	The Company has filed before the honorable Supreme Court, special leave petitions in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 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 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. The Company has paid an aggregate amount of Rs.530.13 lakhs (as at March 31, 2013 Rs.510.13 lakhs) against the demand which has been included in disputed statutory dues.	**889.00**	889.00
ix)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination.	**10.22**	45.99
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.	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement.	**Not Ascertainable**	Not Ascertainable
xiv)	Income tax demands under appeal. The Company has paid an amount of Rs.48.82 lakhs as at March 31, 2014 (as at March 31, 2013 Rs.48.82 lakhs) against the demand which has been included in advance payment of tax.	**398.13**	64.38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at March 31, 2014	As at March 31, 2013
xv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of Rs. 200 lakhs (as at March 31, 2012 Rs. 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of Rs.200 lakhs along with dividends in arrears of Rs.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 DRAT directed to deposit sum of Rs.128 lakhs for further hearing the matter. On waiver of the conditions of depositing any amount, against the company, Company has filed a writ before Honorable High court of Karnataka. The Company does not acknowledge this liability.	**405.60**	405.60
xvi)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,162.49**	1,162.49

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

b) Commitments

(₹ in Lakhs)

Sl. No.	Particulars	A.s at March 31, 2014	As at March 31, 2013
i)	Estimated amount of contracts remaining to be executed on capital account and service contract and not provided for (net of advances)	**1,527.91**	1,346.17
ii)	The Company has entered into an agreement with related party to sell a portion of an immovable property owned by it.	**305.59**	Nil

Particulars	Current Year	Previous Year
28. Revenue from operations:		
i) Sale of products		
Motors, alternators and generators	**67,434.68**	69,242.33
Transformers	**23,565.86**	28,096.81
DG sets	**7,241.88**	10,397.65
Others	**6,80.1.42**	6,905.41
Total	**1,05,043.84**	1,14,642.20
ii) Sale of services	**916.06**	874.21
	1,05,959.90	1,15,516.41
Less: Excise duty	**6,856.66**	8,217.90
	99,103.24	1,07,298.51
29. Other income:		
i) Interest income	**64.77**	75.56
ii) Dividend income from long term investments	**7.03**	5.62
iii) Profit on sale of fixed assets (Net)	**1,224.29**	–
iv) Other non operating income	**1,182.04**	279.85
v) Unclaimed credit balance written back	**82.86**	670.83
vi) Rent received	**102.52**	88.43
vii) Miscellaneous income	**280.37**	76.86
	2,943.88	1,197.15
30. Cost of materials consumed:		
Consumption of raw materials, components, stores and spare parts*	**70,456.58**	76,008.85
	70,456.58	76,008.85

* Value of stores and spare parts not ascertained separately

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Current Year	Previous Year
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	**11,852.95**	11,874.93
Transformers	**1,948.40**	1,737.35
DG Sets	**1,536.36**	1,596.96
Others	**60.23**	150.24
Total	**15,397.94**	15,359.48
ii) Finished goods		
Motors, alternators and generators	**1,862.88**	2,528.23
Transformers	**1,004.67**	382.84
DG Sets	**29.50**	105.35
Others	**180.22**	54.33
Total	**3,077.27**	3,070.75
iii) Scrap	**4.24**	4.50
	18,479.45	18,434.73
Less:Stocks at the beginning of the year		
i) Work in progress		
Motors, alternators and generators	**11,874.93**	12,381.13
Transformers	**1,737.35**	1,599.66
DG sets	**1,596.96**	1,116.60
Others	**150.24**	22.29
Total	**15,359.48**	15,119.68
ii) Finished goods		
Motors, Alternators and generators	**2,528.23**	1,087.88
Transformers	**382.84**	249.26
DG sets	**105.35**	95.53
Others	**54.33**	51.80
Total	**3,070.75**	1,484.47
iii) Scrap	**4.50**	10.67
	18,434.73	16,614.82
	(44.72)	(1,819.91)
32. Employee benefit expenses:		
i) Salaries, wages and bonus	**15,872.11**	15,296.54
ii) Contribution to provident and other funds	**2,815.62**	2,740.68
iii) Staff welfare expenses	**1,147.08**	1,118.46
	19,834.81	19,155.68
33. Finance costs:		
i) Interest expense	**4,320.58**	3,299.96
ii) Amortisation of premium on forward contract	**9.78**	13.86
iii) Other borrowing costs	**608.39**	800.27
	4,938.75	4,114.09
34. Depreciation and amortization:		
i) Depreciation	**1,633.62**	2,359.99
ii) Amortization of intangible assets	**407.71**	30.44
	2,041.33	2,390.43
35. Other expenses:		
i) Power and fuel	**1,687.27**	1,527.51
ii) Rent	**529.79**	829.25
iii) Repairs to buildings	**186.97**	130.55
iv) Repairs to machinery	**433.69**	272.57
v) Repairs to others	**823.91**	720.12
vi) Vehicle maintenance	**73.35**	75.17
vii) Insurance	**374.76**	489.20
viii) Rates and taxes	**171.49**	177.98
ix) Payment to the auditors	**231.04**	131.58
x) Selling expenses	**2,623.79**	2,515.78
xi) Commission	**887.31**	466.51
xii) Warranty claims	**468.62**	605.44
xiii) Allowance for doubtful trade receivables	**679.84**	155.52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars			Current Year		Previous Year
xiv)	Provision for doubtful loans and advances		**11.96**		39.66
xv)	Net loss on foreign currency transaction		**818.10**		165.37
xvi)	Bad trade receivables written off	**177.52**		616.71	
	Less: Allowance for doubtful trade receivable withdrawn	**134.59**		1.98	
			42.93		614.73
xvii)	Provision for contigency loss		**–**		735.40
xviii)	Loss on sale of fixed asset (net)		**–**		2.41
xix)	Donations		**5.95**		50.11
xx)	Legal and professional charges		**1,479.96**		1,138.81
xxi)	Travelling		**1,120.71**		1,365.54
xxii)	Printing and stationary		**93.42**		111.97
xxiii)	Postage, telegrams and telephones		**213.03**		226.17
xxiv)	Directors sitting fees		**13.05**		10.65
xxv)	Provision for assets held for sale		**66.72**		–
xxvi)	Miscellaneous expenses		**1,603.12**		1,058.92
			14,640.78		13,616.92
36.	**Prior period items:**				
i)	Income		**–**		0.15
ii)	Expenses		**0.08**		22.67
37.	**Earnings per share:**				
	(Basic & diluted)				
	Loss for the year after tax expense		**(9,424.28)**		(4,868.38)
	Weighted average number of equity shares		**5,05,21,367**		5,05,21,367
	Earning per share		**(18.65)**		(9.64)

38. (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 Equipments Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

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

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

40. 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 is not expected to be material.

41. 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.

42. The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company has made significant progress in stabilization of the systems, cleansing data and bringing the valuation in line with accounting standard 2 . The management has also formed a task force for liquidation of slow/non moving inventories. Any further adjustments required to the financial statements is not expected to be material.

43. 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.

44. Current assets, loans and advances include Rs.241.11 Lakhs (as at March 31, 2013 Rs. 243.32 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.

45. LDW has incurred substantial losses during the current and preceding years, thereby eroding its networth. However, LDW has sufficient orders in hand and is confident of earning profits in the subsequent years. The group has formulated a turn around strategy for the said company, which has been progressing well. The group had obtained an independent valuation report in August 2013 of Kirsons B V (immediate holding company of LDW)in terms of which the carrying value as at March 31, 2013 was less than its fair value assessed by the valuer. The group has internally revalidated the said valuation after considering the losses for the current year and has determined that there is no impairment in the value of goodwill arising on consolidation and that no adjustments are required to the financial statements in this respect.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

46. 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:

(₹ in Lakhs)

Particulars	Current Year	Previous Year
Employer's contribution to provident and pension funds	**377.90**	378.00
Employer's contribution to superannuation fund	**126.66**	115.46
Employer's contribution to social security at LDW	**2,141.19**	1,716.52

(b) Defined benefit plan:

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

(₹ in Lakhs)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined benefit obligation at beginning of the year	**2,707.63**	**460.52**	2,383.95	480.52
Current service cost	**130.53**	**84.53**	113.14	69.57
Interest cost	**175.76**	**36.84**	173.65	41.32
Additional provision for increase in limit of gratuity/ in excess of limit	**35.62**	**–**	74.61	–
Actuarial (gain)/ loss	**(102.34)**	**(103.59)**	277.43	(130.89)
Benefits paid	**(457.73)**	**–**	(315.15)	–
Defined benefit obligation at end of the year	**2,489.47**	**478.30**	2,707.63	460.52
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**1,764.41**	**138.20**	1,669.97	123.16
Expected return on plan assets	**145.51**	**11.26**	154.48	11.81
Employer contribution	**27.22**	**–**	264.34	5.00
Benefits paid	**(457.73)**	**–**	(315.16)	–
Actuarial gain/(loss)	**(10.38)**	**(1.94)**	(9.22)	(1.77)
Fair value of plan assets at year end	**1,469.03**	**147.52**	1,764.41	138.20
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**1,469.03**	**147.52**	1,764.41	138.20
Present value of obligation	**2,489.47**	**478.30**	2,707.63	460.52
Amount recognized in Balance Sheet under liabilities:	**1,020.44**	**330.78**	943.22	322.32
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	**130.53**	**84.53**	113.14	69.57
Interest cost	**175.76**	**36.84**	173.65	41.32
Expected return on plan assets	**(145.51)**	**(11.26)**	(154.48)	(11.81)
Additional provision for increase in limit of gratuity/ in excess of limit	**35.62**	**–**	74.61	–
Actuarial (gain)/ loss	**(91.96)**	**(101.65)**	286.65	(129.12)
Net cost	**104.44**	**8.46**	493.57	(30.04)

Actuarial assumptions:	**As at March 31, 2014**		As at March 31, 2013	
Mortality table	**Indian Assured Lives (2006 -08) (Ultimate)**	**Indian Assured Lives (2006 -08) (Ultimate)**	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)
Discount rate (per annum)	**9.25%**	**9.25%**	8.00%	8.00%
Expected rate of return on plan assets (per annum)	**9.40%**	**8.15%**	9.40%	8.15%
Rate of escalation in salary (per annum)	**7.00%**	**7.00%**	7.00%	7.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary. There are no dedefined benefit plans at LDW.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

47. Segment reporting:

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

(₹ In lakhs)

Particulars	Primary Segment			
	Power Generation & Distribution	Rotating Machine Group	Others	Total
1. **Segment revenues:**				
External revenues	**31,608.77** (40,861.21)	**68,983.02** (69,935.88)	**5,368.11** (4,719.32)	**1,05,959.90** (1,15,516.41)
Add: Intersegment revenues	**697.96** (654.80)	**1,186.58** (1,750.19)	**18.99** (25.25)	**1,903.53** (2,430.24)
Total revenues	**32,306.73** (41,516.01)	**70,169.60** (71,686.07)	**5,387.10** (4,744.57)	**1,07,863.43** (1,17,946.65)
2. **Segment results**	**616.70** (2,835.94)	**(2,404.81)** (243.67)	**1,427.63** (1,143.00)	**(360.48)** (4,222.61)
3. Interest expenditure				**4,938.75** (4,144.09)
4. Depreciation and amortisation				**2,041.33** (2,390.43)
5. Unallocable expenditure				**3,706.69** (3,123.92)
6. Unallocable and other income				**1,324.33** (513.53)
7. Tax expenses				**(78.36)** (229.71)
8. Share of Profits/(losses) in the Associates (Net)				**(26.27)** (6.30)
9. Minority interest - Share of Profits/ (losses)				**(246.55)** (-229.33)
10. Profit/(loss) after tax				**(9,424.28)** (4,868.38)
11. Segment assets	**17,799.90** (10,986.55)	**48,455.16** (17,155.93)	**1,618.83** (1,786.94)	**67,873.89** (29,929.42)
12. Unallocable assets				**26,305.48** (61,272.32)
13. Segment liabilities	**17,072.15** (17,656.04)	**38,598.79** (34,620.97)	**785.08** (2,209.55)	**56,456.02** (54,486.56)
14. Unallocable liabilities				**25,815.44** (18,283.10)
15. Capital expenditure	**325.53** (36.88)	**1,386.46** (459.57)	**188.00** (2.18)	**1,899.99** (498.63)
16. Unallocable capital expenditure				**82.41** (388.40)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Geographical segment:

(₹ in Lakhs)

	Segment revenue by geographical market	
Particulars	**Current Year**	Previous Year
Sales in India	**74,336.93**	88,412.17
Sales outside India	**31,622.97**	27,104.24
Total	**1,05,959.90**	1,15,516.41

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

(₹ in Lakhs)

	Carrying amounts of segment assets		Additions to fixed assets and intangible assets	
	As at March 31, 2014	As at March 31, 2013	**Current Year**	Previous Year
Located in India	**54,843.39**	54,843.39	**558.72**	567.26
Located outside India	**36,358.35**	36,358.35	**1,423.68**	319.77
Total	**91,201.74**	91,201.74	**1,982.40**	887.03

48. 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. Anuj Pattanaik (Upto February 28, 2013) Mr. Alok Kumar Gupta (from March 15, 2013)	Key Management Personnel and their relatives (“KMP”)
2.	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
3.	Kirloskar Batteries Private Limited Kirloskar Power Equipments 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”)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Related party transactions:

(₹ in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of Goods and services:			
Vijay Farms Private Limited	Others	**49.97**	77.30
Sri Vijayadurga Investments and Agencies Private Limited		**159.15**	109.30
Vijayjyothi Investments and Agencies Private Limited		**–**	1.69
Ravindu Motors Private Limited		**1.35**	1.30
Vijaykirti Investments Private Limited		**–**	0.48
Abhiman Trading Company Private Limited		**96.23**	70.60
Kirloskar Electric Charitable Trust		**5.63**	5.74
Sale of Goods and services:			
Kirloskar (Malaysia) Sdn. Bhd	Associates	**109.38**	351.19
Ravindu Motors Private Limited	Others	**19.56**	–
Kirloskar Electric Charitable Trust	Others	**0.26**	–
Kirloskar Power Equipments Limited	Others	**–**	5.77
Rent received:			
Ravindu Motors Private Limited	Others	**25.22**	26.97
Rent paid:			
Kirloskar Power Equipments Limited	Others	**10.00**	251.00
Vijayjyothi Investments and Agencies Private Limited		**–**	156.00
Donations paid:			
Kirloskar Electric Charitable Trust	Others	**–**	45.00
Dividend received:			
Kirloskar (Malaysia) Sdn. Bhd	Others	**1.67**	–
Remuneration paid:			
Vijay R Kirloskar*	KMP	**203.38**	180.79
Anuj Pattanaik*		**–**	108.66
Alok Kumar Gupta*		**106.15**	4.54
Janaki Kirloskar		**3.43**	2.78
Rukmini Kirloskar		**6.42**	5.72
Meena Kirloskar (Sitting Fees)		**1.07**	1.22
Interest paid:			
Vijay R Kirloskar	KMP	**9.15**	–
Rukmini Kirloskar		**1.29**	2.29
Meena Kirloskar		**1.55**	2.87
KEC Executives & Others Officers Welfare Trust	Others	**1.15**	1.15
KEC Officers & Engineers Welfare Trust		**1.15**	1.15
KEC Vice Presidents Welfare Trust		**1.72**	1.72
KEC Engineers of Mysore Unit Welfare Trust		**0.57**	0.57

* 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 CONSOLIDATED FINANCIAL STATEMENTS

Related party transactions (cont..)

(₹ in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Fixed deposit renewed / accepted during the year			
Vijay R Kirloskar	KMP	**100.00**	–
KEC Executives & Others Officers Welfare Trust	Others	**10.00**	10.00
KEC Officers & Engineers Welfare Trust		**10.00**	10.00
KEC Vice Presidents Welfare Trust		**15.00**	15.00
KEC Engineers of Mysore Unit Welfare Trust		**5.00**	5.00
Fixed deposits repaid during the year			
Rukmini Kirloskar	KMP	**20.00**	–
Meena Kirloskar		**25.00**	–
Inter company deposit accepted:			
Vijayjyothi Investments & Agencies Private Limited	Others	**400.00**	–
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others	**325.44**	–
Interest paid:			
Vijayjyothi Investments & Agencies Private Limited	Others	**29.14**	–
Advance received for sale of asset:			
Ravindu Motors Private Limited	Others	**305.59**	–

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

Particulars	Relationship	As at March 31, 2014	As at March 31, 2013
Amount due to Company:			
Kirloskar (Malaysia) Sdn. Bhd	Associate	**426.65**	167.93
Kirloskar Power Equipments Limited	Others	**446.76**	450.59
Vijay Farms Private Limited		**187.47**	181.87
Sri Vijayadurga Investments and Agencies Private Limited		**31.96**	31.88
Vijayjyothi Investments and Agencies Private Limited		**111.51**	111.51
Ravindu Motors Private Limited		**0.14**	2.11
Abhiman Trading Company Private Limited		**69.05**	69.05
Kirloskar Batteries Private Limited		**5.46**	5.46
Amount due from Company:			
Kirloskar Batteries Private Limited	Others	**25.89**	25.89
Kirloskar Electric Charitable Trust		**5.20**	0.57
Kirlokar Power Equipments Limited		**63.55**	113.95
Vijay Farms Private Limited		**2.23**	11.12
Vijayjyothi Investments and Agencies Private Limited		**74.56**	79.84
Abhiman Trading Company Private Limited		**29.28**	18.64
Sri Vijayadurga Investments and Agencies Private Limited		**15.86**	9.72
Ravindu Motors Private Limited		**305.59**	–
Fixed deposits outstanding at the end of the year:			
Vijay R Kirloskar	KMP	**100.00**	–
Rukmini Kirloskar		–	20.00
Meena Kirloskar		–	25.00
Guarantees given for the loans taken by the Company and outstanding at the end of the year by:			
Vijay R Kirloskar	KMP	**12,630.04**	12,553.94

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

49. FINANCE LEASE:

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

(₹ in Lakhs)

Sl. No.	Particulars	Total minimum Lease Payments outstanding as at March 31, 2014	Future interest on outstanding lease Payments	Present value of minimum lease payments as at March 31, 2014
1	Within one year	**184.54** (47.19)	**33.65** (5.29)	**150.89** (41.90)
2	Later than one year but not later than five years	**402.74** (8.41)	**38.90** (0.35)	**363.84** (8.06)
	Total	**587.28** (55.60)	**72.55** (5.64)	**514.73** (49.96)

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 Rs.529.79 Lakhs (Previous Year Rs.829.25 Lakhs).

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

Particulars	Wage Arrears	Contingencies	Stamp Duty	Short term Compensated Absences	Warranty Claims
Balance outstanding at the beginning of the year	**172.96** (336.16)	**730.51** (-)	**597.06** (619.21)	**20.45** (20.45)	**617.01** (667.18)
Provision for the year (Net)	**72.06** (163.20)	**(544.10)** (730.51)	**(486.66)** (-22.15)	**(1.84)** (-)	**226.74** (-50.17)
Balance outstanding at the end of the year	**245.02** (172.96)	**186.41** (730.51)	**110.40** (597.06)	**18.61** (20.45)	**843.75** (617.01)

52. a) The following derivative contracts are outstanding at the end of the year:

Particulrs	As at March 31, 2014	As at March 31, 2013
Forward Contracts to hedge certain trade payables	**$–**	$ 11,36,045
Interest rate swap with banks whose expiry date upto August 30, 2016	**Euro 1 Million**	Euro 3 Million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2014 are as under:

Particulars	**As at March 31, 2014**		As at March 31, 2013	
	FCY	(₹ in Lakhs)	**FCY**	(₹ in Lakhs)
Assets (Receivables)	**$ 6,07,502.00** **€ 1,26,000.45** **£ 2,591.20**	**469.15**	$ 9,23,872.00 € 2,42,728.00 £ 6,885.00	662.44
Liabilities (Payables)	**$ 20,99,818.00** **€ 1,970.23** **£ –** **SGD 6,94,251.00**	**1,567.67**	$ 4,38,278.00 € 2,45,833.00 £ 517.00 SGD –	412.30

53. 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, 2014 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

54. 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, 2014, 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.

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

In accordance with our report attached

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

CA. C R Deepak
Partner

Place : Bangalore
Date : August 12, 2014

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

Vijay R Kirloskar
Chairman & Managing Director

A S Lakshmanan
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

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

						The net aggregate amount of the subsidiary companies Profit/(loss) so far as it concerns the members of the Holding Company			
						Not dealt with in the Holding Company's accounts		Dealt with in the Holding Company's accounts	
Sl. No.	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	For the financial year ended 31st March, 2014	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31st March, 2014	For the previous financial years of the subsidiary companies since they became the holding Company's subsidiary
1.	Kirsons B.V.	31.3.2014	11.8.2008	2230 shares of € 100 each	100%	€ (294120)	€ (1140455)	–	–
2.	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2014	1.9.2008	€ 3160000 Capital	94.9%	€ (5843096)	€ (2725656)	–	–
3.	Lloyd Beteiligungs-GmbH, Germany *	31.3.2014	1.9.2008	€ 25000 Capital	100%	€ (2517)	€ 4821	–	–

* subsidiary of Kirsons B.V.

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

Vijay R Kirloskar
Chairman & Managing Director

A S Lakshmanan
Director

CA. Vinayak Narayan Bapat
President – Operations & Finance
& Chief Financial Officer

CS. K S Swapna Latha
General Manager (Legal)
& Company Secretary

Place : Bangalore
Date : August 12, 2014

ATTENDANCE SLIP

KIRLOSKAR ELECTRIC COMPANY LIMITED

(CIN: L85110KA1946PLC000415)
Regd. Office: Industrial Suburb, Rajajinagar,Bangalore -560 010
Tel +91 80 23374865, Fax +91 80 23377706
website: www.kirloskar-electric.com
e-mail: investors@kirloskar-electric.com

67th ANNUAL GENERAL MEETING

Date: 30th September, 2014.Time: 10.00 A.M.

Place : "Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore – 560 003.

Member's Folio/DPID-Client ID No. _____

No. of Shares:_____

Member's/ Proxy's name (in Block Letters): _____

Member's/ Proxy's Signature:

Note:

1. Sign this attendance slip and hand it over at the attendance verification counter at the entrance of the meeting hall.
2. Bodies corporate, whether a Company or not, who are members, may attend through their authorised representatives appointed under Section 113 of the Companies Act, 2013. A copy of authorisation should be deposited with the Company.
3. In case of shares held in demat/electronic form, the signature of the Beneficial Owner is liable for verification with the record furnished to the Company by NSDL/CDSL.
4. Electronic copy of the 67th Annual Report and Notice of the Annual General Meeting (AGM) alongwith attendance slip and proxy form is being sent to all the members whose email address is registered with the Company/ Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
5. Physical copy of the 67th Annual Report and Notice of the AGM along with the attendance slip and proxy form is sent in the permitted mode(s) to all members whose email is not registered or have requested for a hard copy.

E-voting facility is available during the following voting period

Commencement of e-voting	End of e-voting
(Thursday), 25th September 2014 (from 9.00 AM)	(Saturday), 27th September 2014 (up to 6.00 PM)

Please refer Notice for instructions on e-voting.

PROXY FORM

KIRLOSKAR ELECTRIC COMPANY LIMITED
(CIN: L85110KA1946PLC000415)
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website: www.kirloskar-electric.com
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Name of the member(s) : .....

Registered address :.....

E-mail ID : .....

Folio No/DP ID-Client ID : .....

I/We, being the member (s) of.....shares of the above named company, hereby appoint

(1) Name : .....

Address : .....

.....

E-mail Id : .....Signature : ..... or failing him;

(2) Name : .....

Address : .....

.....

E-mail Id : .....Signature : ..... or failing him;

(3) Name : .....

Address : .....

.....

E-mail Id : .....Signature : ..... or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 67th Annual General Meeting of the Company, to be held on the 30th day of September, 2014 at 10.00 A.M at "Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore – 560 003 and at any adjournment thereof in respect of such resolutions as are indicated below:

Sl No.	Resolution	Optional*	
		For	Against
	ORDINARY BUSINESS		
1.	Adoption of Audited Financial Statements for the year ended 31st March 2014, the Report of Directors' and Auditors' thereon		
2.	Re-appointment of Mr. A.S.Lakshmanan as a Director who retires by rotation and eligible for re-appointment.		
3.	Appointment of M/s. B.K.Ramadhyani & Co, Chartered Accountants, as Auditors and authorise Board to fix their remuneration.Appointment of M/s. Sundar & Associates, Chartered Accountants, Selangar Darul Ehsan, Malaysia, are the retiring Auditors for the branche office at Malaysia.		
	SPECIAL BUSINESS		
4.	Appointment of Mr.K.Ganesh as Director liable to retire by rotation		
5.	Appointment of Mr.Vinayak Narayan Bapat as Director		
6.	Appointment of Mr.Anand B Hunnur as Director		
7.	Appointment of Mr. S.N.Agarwal as an Independent Director.		
8.	Appointment of Mr. Sarosh J Ghandy as an Independent Director.		
9.	Appointment of Mr. Anil Kumar Bhandari as an Independent Director.		
10.	Appointment of Mr. V.P.Mahendra as an Independent Director.		
11.	Appointment of Mr. Kamlesh Gandhi as an Independent Director.		
12.	Appointment of Mr. Ram J Shahaney as an Independent Director.		
13.	Consent to the Board to borrow money upto Rs.10000 million		
14.	Ratification of payment of remuneration to M/s. Rao, Murthy & Associates, Cost Accountants		
15.	Acceptance or renewal of deposits from its members and others		
16.	Appointment of Mr. Vijay R Kirloskar as Executive Chairman and payment of remuneration to him		
17.	Appointment of Mr. Vinayak Narayan Bapat as Managing Director and payment of remuneration to him		
18.	Appointment of Mr.Anand B Hunnur as Director – Sales and payement of remuneration to him		

Signed this..... day of 2014

Affix
Re. 1-00.
Revenue Stamp

Signature of shareholder

Signature of Proxy holder(s)

Note :

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to Notice of the 67th Annual General Meeting.
3. Please complete all details including details of member(s) in above box before submission.
4. * It is optional to put a "X" in the appropriate column against the Resolutions indicated in the box. If you leave the "for" or "against" column blank against any or all Resolutions, your proxy will entitle to vote in the manner as he / she thinks appropriate.
5. A person can act as Proxy on behalf of fifty (50) members and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as Proxy and such person shall not act as Proxy for any other Member.

if undelivered please return to:
KIRLOSKAR ELECTRIC COMPANY LTD.
Industrial Suburb, Rajajinagar,
Bangalore – 560 010