

**Auditor's Report on Quarterly Financial Results and Year to Date Financial Results of
Kirloskar Electric Company Limited Pursuant to the clause 41 of the Listing Agreement.**

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

1. We have audited the quarterly financial results of Kirloskar Electric Company Limited ("the Company") for the quarter ended March 31, 2014 and the year to date financial results for the period from April 1, 2013 to March 31, 2014, attached herewith, being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement, except for the disclosure regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. The financial results for the year ended March 31, 2014 are based on the annual financial statements, which are the responsibility of the Company's management and have been approved by the Board of Directors. The financial results for the quarter ended March 31, 2014 are derived figures based on the audited figures for the year ended March 31, 2014 and the published unaudited year to date figures up to December 31, 2013 and the relevant requirements of Clause 41 of the Listing Agreement. Our responsibility is to express an opinion on these financial results based on our audit of financial statements which are based on accounting standards issued pursuant to the Companies (Accounting Standard) Rules, 2006 as per section 211(3C) of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
3. **Emphasis of matter**
 - (a) We draw reference to Note 5 of the results 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 reason stated therein. In the absence of the financial statements of the subsidiary companies the Company has not published consolidated financial statements for the year ended March 31, 2014. We have relied on the representation and our report is not qualified in this respect.



- (b) We draw reference to Note 6 of the results which describes the special leave petition in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 362 Lakhs filed respectively before honorable Supreme Court and no provision being 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.
4. In our opinion and to the best of our information and according to the explanations given to us, these quarterly financial results as well as the year to date financial results:
- are presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard; and
 - give a true and fair view of the net loss and other financial information for the quarter ended March 31, 2014 as well as the year to date results for the year ended March 31, 2014.

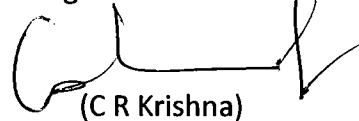
Further, read with para 1 we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of Clause 35 of the Listing Agreement and found the same to be correct.

5. Other Matter

The report on the financial statements of the Kuala Lumpur branch office for the year ended March 31, 2014 (not audited by us) audited by Sundar & Associates, Chartered Accountants (Malaysia), has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.

6. Further, read with paragraph 1 above, we report that the figures for the quarter ended March 31, 2014 represent the derived figures between the audited figures in respect of the current full financial year ended March 31, 2014 and the published unaudited year to date figures up to December 31, 2013, being the date of the end of the third quarter of the current financial year, which were subjected to a limited review as stated in paragraph 1 above, as required under clause 41(l)(d) of the Listing Agreement.

For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 0028785



(C R Krishna)

Partner

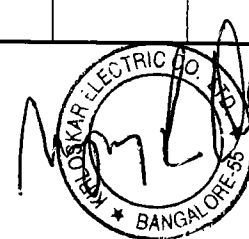
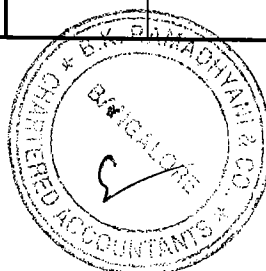
Membership No. 27990

Place: Bangalore
Date: May 28, 2014

B.K. RAMADHYANI & COMPANY
CHARTERED ACCOUNTANTS
4-B, Chitrapura Bhavan,
No. 68, 8th Main, 15th Cross,
Malleswaram, Bangalore - 560 055.



Sl No	Particulars	Amount (Rs.in Lacs)				
		Standalone				
		Three months ended 31/03/2014	Preceding Three months ended 31/12/2013	Corresponding previous year three months ended 31/03/2013	Year to date figures for current year ended 31/03/2014	Year to date figures for previous year ended 31/03/2013
		Audited	Reviewed	Audited	Audited	Audited
1 a	Gross sales	16,161	16,938	23,741	74,841	88,412
	Less : excise duty	1,393	1,490	2,181	6,857	8,218
	Net sales/ income from operations	14,768	15,448	21,560	67,984	80,194
b.	Other operating income	-	-	-	-	-
2	Expenditure					
a	Cost of materials consumed	14,221	12,130	18,161	54,823	61,740
b	Change in inventories of finished goods, work in progress and stock in trade	(2,079)	219	(1,888)	(2,201)	(2,618)
c	Employee benefit expenses	1,955	2,016	1,936	7,888	8,297
d	Depreciation and amortisation expenses	116	334	412	1,171	1,703
e	Other expenditure	2,329	1,599	2,674	7,930	8,042
f	Total	16,542	16,298	21,295	69,611	77,164
3	Profit / (loss) from operations before other income, Finance costs and exceptional items (1 - 2f)	(1,774)	(850)	265	(1,627)	3,030
4	Other income	1,477	(31)	640	1,720	902
5	Profit / (loss) before interest and exceptional items (3+4)	(297)	(881)	905	93	3,932
6	Finance costs	1,147	1,073	819	4,194	3,358
7	Profit / (loss) after interest but before exceptional items (5-6)	(1,444)	(1,954)	86	(4,101)	574
8	Exceptional items (net)	-	-	-	-	-
9	Profit / (loss) from ordinary activities before tax (7- 8)	(1,444)	(1,954)	86	(4,101)	574
10	Tax expense	-	-	1	-	158
11	Net profit / (loss) from ordinary activities after tax (9-10)	(1,444)	(1,954)	85	(4,101)	416
12	Extraordinary Item (net of tax expense)	-	-	-	-	-
13	Net profit / (loss) for the period (11+12)	(1,444)	(1,954)	85	(4,101)	416
14	Paid up equity share capital (face value of Rs. 10/-)	5,052	5,052	5,052	5,052	5,052
15	Reserves excluding revaluation reserves	NA	NA	NA	9,930	14,031
16	Earnings per share (EPS)					
a	Basic and diluted EPS before extra ordinary items (not annualised)	(2.86)	(3.87)	0.17	(8.12)	0.82
b	Basic and diluted EPS after extra ordinary items (not annualised)	(2.86)	(3.87)	0.17	(8.12)	0.82
17	Aggregate of non-promoters shareholding					
A	Particulars of share holding					
1	Public share holding					
	-Number of shares	25,594,359	25,594,859	25,618,621	25,594,359	25,618,621
	-Percentage of Share holding	50.66%	50.66%	50.71%	50.66%	50.71%
18	Promoters and Promoter Group Shareholding					
a	Pledged/encumbered					
	-Number of shares	-	-	-	-	-
	-Percentage of shares (as a % of the total share holding of promoter and promoter group)	-	-	-	-	-
	-Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-
b	Non-encumbered					
	-Number of shares	24,927,008	24,926,508	24,902,746	24,927,008	24,902,746
	-Percentage of shares (as a % of the total share holding of promoter and promoter group)	100%	100%	100%	100%	100%
	-Percentage of shares (as a % of the total share capital of the company)	49.34%	49.34%	49.29%	49.34%	49.29%

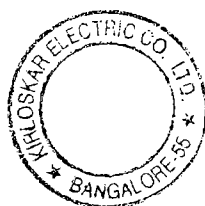


		ended Mar 31, 2014
	Pending at the beginning of the quarter	NIL
	Received during the quarter	NIL
	Disposed of during the quarter	NIL
	Remaining unresolved at the end of the quarter	Nil

Revenues, results and capital employed for the segments for the quarter and year ended March 31, 2014

Amount (Rs.in Lacs)

SI No	Particulars	Standalone				
		Three months ended 31/03/2014	Preceding Three months ended 31/12/2013	Corresponding previous year three months ended 31/03/2013	Year to date figures for current year ended 31/03/2014	Year to date figures for previous year ended 31/03/2013
		Audited	Reviewed	Audited	Audited	Audited
1	Segment Revenues					
	Power generation/ distribution	6,531	7,711	11,639	32,307	41,516
	Rotating machines	9,239	8,662	11,310	39,051	44,582
	Others	938	844	1,542	5,387	4,745
	Total	16,708	17,217	24,491	76,745	90,843
	Less: Inter segment revenues	547	279	750	1,904	2,431
	Sales / Income from operations	16,161	16,938	23,741	74,841	88,412
2	Segment Results					
	Profit before interest, depreciation and tax expense					
	Power generation/ distribution	3	79	398	617	2,836
	Rotating machines	(163)	(252)	1,148	1,603	4,248
	Others	174	353	374	1,428	1,143
	Total	14	180	1,920	3,648	8,227
	Less: Interest	1,147	1,073	819	4,194	3,358
	Less: Other unallocable expenditure (net off unallocable Income)	311	1,061	1,015	3,555	4,295
	Total profit / (loss) before tax expense & after extraordinary item	(1,444)	(1,954)	86	(4,101)	5/4
3	Capital Employed (Segment Assets-Segment Liabilities)					
	Power generation/ distribution	728	1,551	5,606	728	5,606
	Rotating machines	13,481	16,366	15,282	13,481	15,282
	Others	834	3,206	1,719	834	1,719
	Total capital employed in segments	15,043	21,123	22,607	15,043	22,607
	Add: Unallocable	420	(4,216)	(3,043)	420	(3,043)
	Total capital employed	15,463	16,907	19,564	15,463	19,564



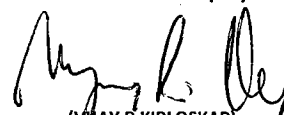

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2014
(Standalone)

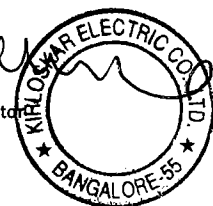
SI No	Particulars	Amount (Rs.in Lacs)			
		As at March 31, 2014		As at March 31, 2013	
		(Audited)		(Audited)	
A	EQUITY AND LIABILITIES				
1	Shareholders' funds:				
(a)	Share capital	5,052		5,052	
(b)	Reserves and surplus	10,411		14,512	
			15,463		19,564
2	Non - current liabilities				
(a)	Long term borrowings	6,532		2,028	
(b)	Other long term liabilities	1,334		715	
(c)	Long term provisions	1,351		1,265	
			9,217		4,008
3	Current liabilities				
(a)	Short term borrowings	13,673		15,175	
(b)	Trade payables	27,920		24,064	
(c)	Other current liabilities	6,737		6,421	
(d)	Short term provisions	737		1,186	
			49,067		46,846
	Total		73,747		70,418
B	ASSETS:				
1	Non - current assets				
(a)	Fixed assets				
(i)	Tangible assets	11,899		12,991	
(ii)	Intangible assets	57		63	
(iii)	Capital work in progress	166		429	
		12,122		13,483	
(b)	Non - current investments	19,142		15,514	
(c)	Long term loans and advances	1,773		1,705	
(d)	Other non current assets	152		124	
			33,189		30,826
2	Current assets				
(a)	Inventories	15,411		13,500	
(b)	Trade receivables	15,664		19,513	
(c)	Cash and bank balances	5,123		2,693	
(d)	Short term loans and advances	1,456		1,518	
(e)	Other current assets	2,904		2,368	
			40,558		39,592
	Total		73,747		70,418

Notes:

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on May 28, 2014.
- The financial results of the Company for the year ended March 31, 2014 has been audited by the statutory auditors of the Company.
- The figures for the quarter ended March 31, 2014 represent the derived figures between the audited figures in respect of the current year ended March 31, 2014 and the published year to date figures upto December 31, 2013, being the end of the third quarter of current year which were subjected to a limited review, as required under clause 41 (1) (d) of the listing agreement.
- The Company has not received financial statement from its subsidiaries since the audit is in progress, hence consolidated financial statements have not been furnished.
- Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW) the step down subsidiary of the Company, has incurred substantial losses for the current and immediate previous years, thereby eroding its network. 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.
- The Company has filed before the honorable Supreme Court, special leave petition 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.
- Previous period/year figures have been regrouped wherever necessary to confirm with current period presentation.

For Kirloskar Electric Company Limited


(V. R. KIRLOSKAR)
Chairman & Managing Director



PLACE: BANGALORE
DATE: May 28, 2014

