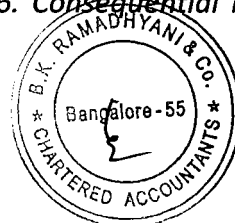


**Auditor's Report on Quarterly Financial Results and Year to Date Financial Results of
Kirloskar Electric Company Limited Pursuant to the clause 41 of the Listing Agreement.**

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, 2013 and the year to date financial results for the period from April 1, 2012 to March 31, 2013, 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. These quarterly financial results as well as the year to date financial results have been prepared on the basis of the interim financial statements and the relevant requirements of Clause 41 of the Listing Agreement, which are the responsibility of the Company's management and have been approved by the Board of Directors, and are derived figures between the audited figures in respect of the current full year ended March 31, 2013 and the published year to date figures up to December 31, 2012, being the date of the end of third quarter of current financial year, which were subjected to limited review. Our responsibility is to express an opinion on these financial results based on our audit of such interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, Interim Financial Reporting, issued pursuant to the Companies (Accounting Standard) Rules, 2006 as per section 211(3C) of the Companies Act, 1956 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. The report on the financial statements of the Kuala Lumpur branch office for the year ended March 31, 2013 (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. Our report is not qualified in this respect.
4. *The Company has not ascertained the quantum of interest payable on delayed payment of dues to Micro, Small and Medium Enterprises as stipulated in Micro, Small and Medium Enterprises Development Act, 2006. Consequential impact on financial statements not ascertained.*



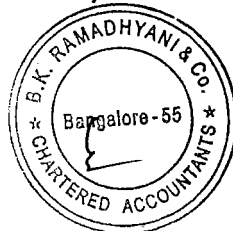
5. *Confirmation of balances from trade receivables is awaited. Accounts of certain trade receivables are subject to review/ identification of doubtful debts by management. Debts above two years net of provision already made and considered as good of recovery by management is estimated to be Rs.1,940.51 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification for further provision of doubtful debts.*
6. *The Company has implemented SAP ECC 6 systems at its units. Management has informed us that 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. Further, work in progress at certain units as at March 31, 2013 with aggregate carrying value of Rs.5,658.81 lakhs includes non moving and old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value and reusability is under progress. The determination of cost or net realizable value in respect of work in progress is not in line with Accounting Standard (AS) – 2 as referred to in section 211 (3) (C) of the Companies Act, 1956. Management has informed us that continuing steps are being taken to cleanse data, stabilize systems, identify all old/ non moving materials and refine the procedures for determination of cost or net realizable value of work in progress in line with AS – 2.*
7. *In respect of assets held for sale, Management has informed us that realizable value of such assets is more than its carrying value of Rs.793.09 lakhs. However, this assessment of management is not supported by an external valuation or quotations from prospective buyers.*

In all the cases above in para 4 to 7, effect on revenue, assets and liabilities is not ascertainable. We do not express any independent opinion in these matters.

9. Emphasis of matter

Management has informed us that Lloyd Dynamowerke GmbH & Co. KG, Germany ("LDW") has incurred losses for the year. However, we are informed that it has sufficient orders in hand, is confident of earning profits in the subsequent years and that the diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) of Rs.15,458.53 lakhs is considered temporary and no provision is considered necessary.

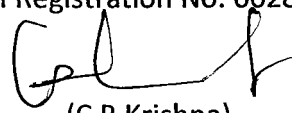
10. In our opinion and to the best of our information and according to the explanations given to us and *except for para 4 to 7 above*, these quarterly financial results as well as the year to date financial results:
 - i. are presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard, except that in the absence of the financial statements of subsidiaries, the Company has not published consolidated financial statements for the year ended March 31, 2013; and
 - ii. give a true and fair view of the net profit and other financial information for the quarter ended March 31, 2013 as well as the year to date results for the period from April 1, 2012 to March 31, 2013.



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.

11. Further, read with paragraph 1 above, we report that the figures for the quarter ended March 31, 2013 represent the derived figures between the audited figures in respect of the current full financial year ended March 31, 2013 and the published year to date figures up to December 31, 2012, 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.

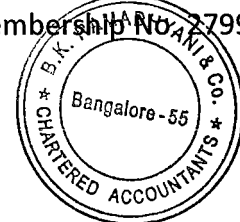
For B K Ramadhyani & Co.,
Chartered Accountants
Firm Registration No. 0028785



(C R Krishna)

Partner

Membership No. 27990



Place: Bangalore
Date: May 30, 2013