KIRLOSKAR ELECTRIC COMPANY LTD.

End-to-end presence in electrical engineering

67th

Annual Report

2013 - 14

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

CIN: L85110KA1946PLC000415

CONTENTS

Particulars	Page Nos.
Chairman's Message	4
Directors' Report	5
Report on Corporate Governance	9
Auditors' Report	20
Balance Sheet	25
Statement of Profit and Loss	26
Cash Flow Statement	27
Notes to the Financial Statements	28
Consolidated Financial Statements	50
Statement pursuant to Section 212	75
Subsidiaries Financial Statements	
– Kirsons B.V	76
– LLOYD Dynamowerke GmbH & Co. KG	84
– LLOYD Beteiligungs-GmbH	109

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	
	Ram J Shahaney	
	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.

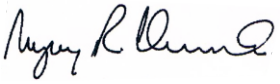
In these difficult times, the Company has looked inwards and is trying to emerge even stronger to further strengthen its competitive positioning in the next few years. It is the beginning of a long path. It is a difficult task, yet I am seeing changes and can expect better days ahead.

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

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 AND TECHNOLOGY 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 31.03.2014 - 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**

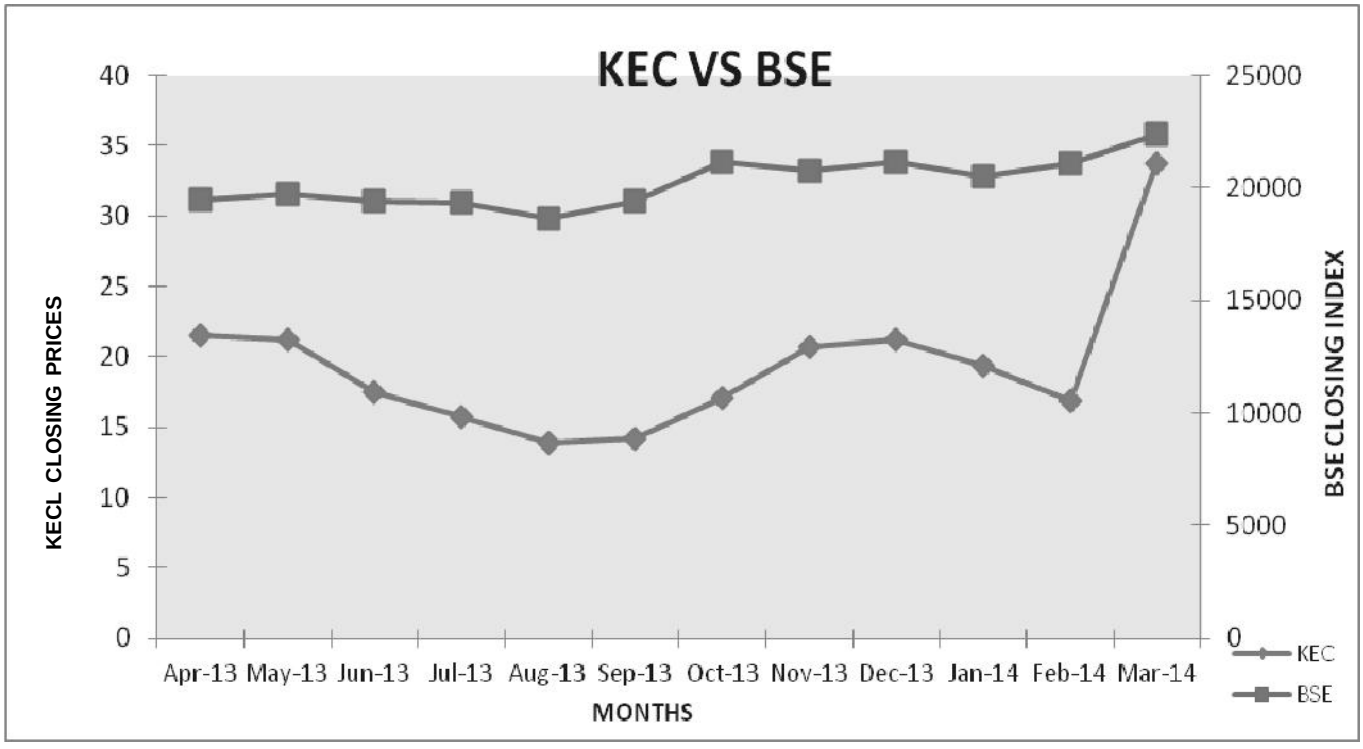
Market Price Data

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:

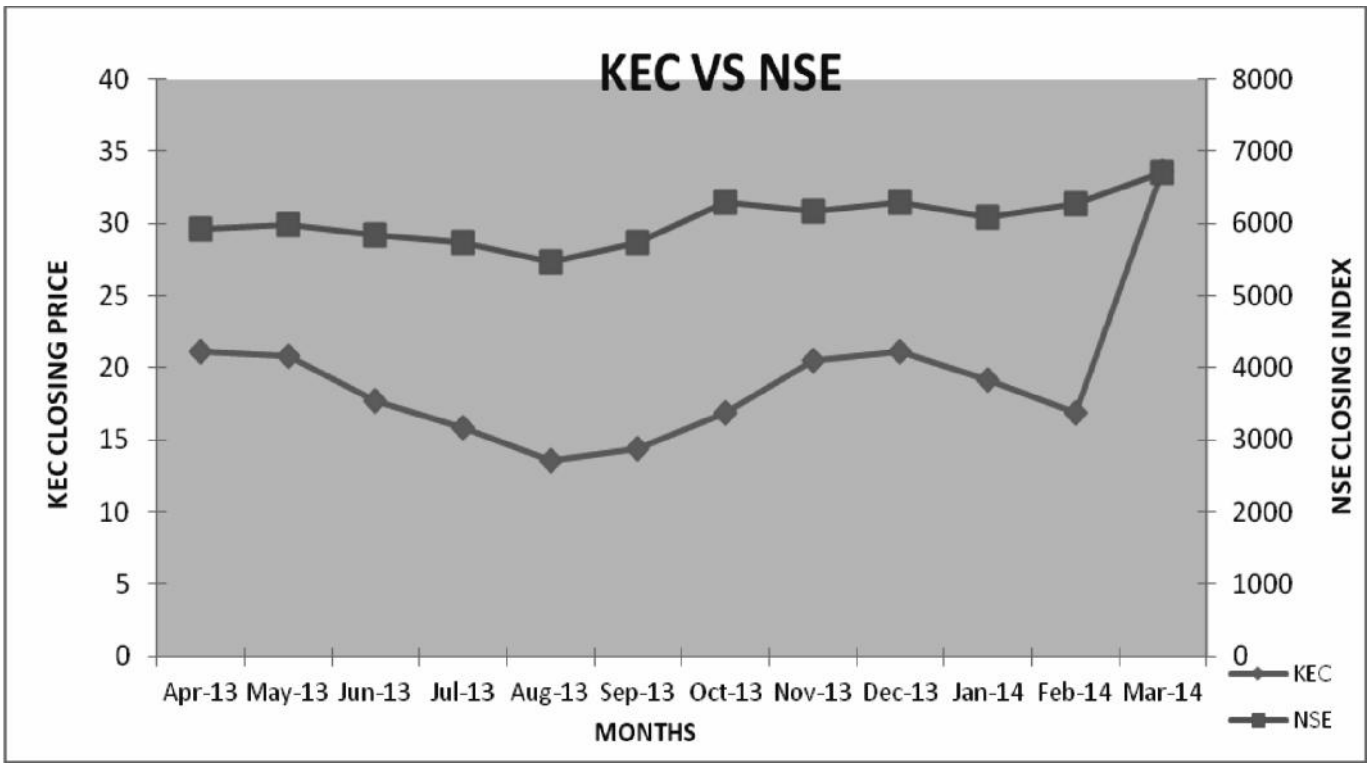
Month	KEC on BSE			KEC on NSE		
	High (Rs.)	Low (Rs.)	Volume (No's)	High (Rs.)	Low (Rs.)	Volume (No's)
April 2013	23.95	17.10	112612	25.80	17.25	107417
May 2013	25.80	20.20	154064	25.95	20.00	113020
June 2013	22.70	16.10	73437	20.55	17.40	65605
July 2013	19.45	15.00	126496	17.55	16.50	82864
August 2013	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

CA. C R Krishna
Partner

Place : Bangalore
Date : August 12, 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	Commissioner of Central
			April 2010 & October 2008 to April 2010	Excise (Appeals)
			September 2010 to March 2011	
	Delay in payment	0.65	2010-2011	Commissioner of Central Excise (Appeals)
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

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	3	**5,052.14**		5,052.14	
(b) Reserves and surplus	4	**10,410.71**		14,511.67	
			15,462.85		19,563.81
(2) Non - current liabilities					
(a) Long term borrowings	5	**6,531.84**		2,026.41	
(b) Other long term liabilities	7	**1,334.24**		715.00	
(c) Long term provisions	8	**1,351.22**		1,265.54	
			9,217.30		4,006.95
(3) Current liabilities					
(a) Short term borrowings	9	**13,673.33**		15,174.67	
(b) Trade payables	10	**27,919.66**		24,063.56	
(c) Other current liabilities	11	**6,736.79**		6,422.37	
(d) Short term provisions	12	**737.17**		1,186.41	
			49,066.95		46,847.01
TOTAL			**73,747.10**		70,417.77
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	13	**11,899.33**		12,991.01	
(ii) Intangible assets	13	**57.47**		63.11	
(iii) Capital work in progress	14	**165.57**		429.33	
		12,122.37		13,483.45	
(b) Non - current investments	15	**19,142.12**		15,513.99	
(c) Deferred tax assets (net)	6	**–**		–	
(d) Long term loans and advances	16	**1,773.12**		1,704.20	
(e) Other non current assets	17	**151.91**		124.11	
			33,189.52		30,825.75
(2) Current assets					
(a) Inventories	18	**15,410.60**		13,500.40	
(b) Trade receivables	19	**15,664.06**		19,512.78	
(c) Cash and bank balances	20	**5,122.86**		2,693.11	
(d) Short term loans and advances	21	**1,456.00**		1,517.31	
(e) Other current assets	22	**2,904.06**		2,368.42	
			40,557.58		39,592.02
TOTAL			**73,747.10**		70,417.77

Significant accounting policies and notes attached form an integral part of the financial statements — 1, 2, 23, 35 to 52

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
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

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

Sarosh J Ghandy
Director

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

Place : Bangalore
Date : May 28, 2014

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**	24		**67,984.27**		80,194.27
II	Other income	25		**1,720.35**		901.83
III	**Total revenue (I + II)**			**69,704.62**		81,096.10
IV	Expenses					
	Cost of materials consumed	26	**54,823.15**		61,739.59	
	Purchases of stock in trade and Changes in inventories of finished goods, work in progress and stock in trade	27	**(2,201.19)**		(2,617.84)	
				52,621.96		59,121.75
	Employee benefits expense	28		**7,887.83**		8,296.86
	Finance costs	29		**4,193.87**		3,357.92
	Depreciation and amortization expense	30		**1,171.55**		1,703.29
	Other expenses	31		**7,934.73**		8,063.56
				73,809.94		80,543.38
	Less: expenses capitalised			**4.59**		21.05
	Total expenses			**73,805.35**		80,522.33
V	Profit / (loss) before tax (III-IV)			**(4,100.73)**		573.77
VI	Tax expense:					
	Current tax			**0.23**		157.74
VII	Profit / (loss) for the period (V + VI)			**(4,100.96)**		416.03
VIII	Earning per equity share:	34				
	Basic & diluted			**(8.12)**		0.82

Significant accounting policies and notes attached form an integral part of the financial statements — 1, 2, 32, 33, 35 to 52

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

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

Sarosh J Ghandy
Director

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

Place : Bangalore
Date : May 28, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	Current year		Previous year	
Cash flows from operating activities				
Profit / (loss) before taxation		**(4,100.73)**		573.77
Adjustments for:				
Depreciation and amortisation	**1,171.55**		1,703.29	
Provisons (Net)	**738.81**		165.54	
Loss/(profit) on sale of fixed assets	**(1,237.61)**		2.92	
Interest received	**(62.54)**		(70.37)	
Dividends received	**(8.70)**		(5.62)	
Finance costs	**4,193.87**		3,357.92	
		4,795.38		5,153.68
		694.65		5,727.45
(Increase)/ decrease in trade and other receivables	**2,751.75**		(1,165.15)	
(Increase)/ decrease in inventories	**(1,966.14)**		(325.80)	
Increase/ (decrease) in trade payables and other current liabilities	**4,918.42**		(1,373.30)	
		5,704.03		(2,864.25)
		6,398.68		2,863.20
Income taxes paid		**54.79**		70.06
Net cash from operating activities		**6,343.89**		2,793.14
Cash flows from investing activities				
Purchase of property, plant and equipment	**(298.71)**		(334.56)	
Proceeds from sale of property, plant and equipment	**1,247.03**		1.90	
Advance received for sale of asset	**305.59**		–	
Purchase of investments	**(3,628.13)**		(2,810.41)	
Interest received	**75.41**		71.26	
Reduction in margin money and short term deposits	**392.57**		83.80	
Dividend received	**8.70**		5.62	
Net cash from investing activities		**(1,897.55)**		(2,982.39)
Cash flows from financing activities				
Proceeds from long term borrowings	**3,000.00**		–	
Repayment of long term borrowings	**(25.11)**		(24.08)	
ICD's Accepted	**14,722.00**		12,680.00	
Repayment of ICD's	**(15,347.26)**		(11,680.00)	
Fixed deposits from public accepted	**3,071.00**		1,723.40	
Repayment of fixed deposits from public	**(1,787.50)**		(682.90)	
Increase/ (decrease) of short term borrowings (net)	**(1,028.20)**		1,132.15	
Repayment of finance lease obligation	**(40.61)**		(215.72)	
Finance costs	**(4,188.35)**		(3,385.33)	
Net cash from financing activities		**(1,624.03)**		(452.48)
Net increase/(decrease) in cash and cash equivalents		**2,822.32**		(641.73)
Cash and cash equivalents at beginning of the year		**1,852.79**		2,494.52
Cash and cash equivalents at end of the year		**4,675.11**		1,852.79

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	**5,122.86**	2,693.11
Less: Other bank balances	**447.75**	840.32
Cash and cash equivalents as restated	**4,675.11**	1,852.79

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
CA. C R KRISHNA
Partner

Vijay R Kirloskar
Chairman & Managing Director

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

Sarosh J Ghandy
Director

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

Place : Bangalore
Date : May 28, 2014

NOTES TO FINANCIAL STATEMENTS

1 BACKGROUND:

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

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

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.

NOTES TO FINANCIAL STATEMENTS

2.10 EMPLOYEE BENEFITS:

(i) Short term employee benefits:

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

(ii) Post employment benefits:

a. Defined contribution plans:

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

b. Defined benefit plans:

Employees' gratuity 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 the 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 FINANCIAL STATEMENTS

Particulars	As at March 31, 2014 Number	₹ in Lakhs	As at March 31, 2013 Number	₹ in Lakhs
3. SHARE CAPITAL:				
Authorized:				
Preference shares of ₹ 100/- each	**30,00,000**	**3,000.00**	30,00,000	3,000.00
Equity shares of ₹ 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 reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
At the close of the reporting period	**5,05,21,367**	**5,052.14**	5,05,21,367	5,052.14
Total		**5,052.14**		5,052.14

Other information:

I. Preference shares:

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

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

	As at March 31, 2014 Number	₹ In lakhs	As at March 31, 2013 Number	₹ In lakhs
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 Equipment Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. 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

NOTES TO FINANCIAL STATEMENTS

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

		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%

(₹ in Lakhs)

Particulars	**As at March 31, 2014**	As at March 31, 2013
4. RERSERVES AND SURPLUS:		
a) **Capital reserve**		
At the beginning of the year	**18.06**	18.06
At the close of the year	**18.06**	18.06
b) **Capital redemption reserve**		
At the beginning of the year	**2,401.75**	2,401.75
At the close of the year	**2,401.75**	2,401.75
c) **Debenture redemption reserve**		
At the beginning of the year	**494.00**	494.00
At the close of the year	**494.00**	494.00
d) **Revaluation reserve**		
At the beginning of the year	**480.41**	480.41
At the close of the year	**480.41**	480.41
e) **Reconstruction Reserve**		
At the beginning of the year	**641.67**	641.67
At the close of the year	**641.67**	641.67
f) **Reserve for doubtful debts**		
At the beginning of the year	**90.00**	90.00
At the close of the year	**90.00**	90.00
g) **Surplus i.e. balance in statement of profit and loss**		
At the beginning of the year	**10,385.78**	9,969.75
Transferred from statement of profit and loss	**(4,100.96)**	416.03
At the close of the year	**6,284.82**	10,385.78
TOTAL CLOSING BALANCE	**10,410.71**	14,511.67
5. Long term Borrowings		
1) Secured Loans:		
a. Finance lease obligations (refer note 46)	**9.35**	49.96
b. Car Loan from a Company	**10.95**	36.06
c. Loan from a bank	**3,000.00**	–
	3,020.30	86.02
Less:		
Current maturities	**466.34**	67.01
	2,553.96	19.01

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
2) Unsecured loans:		
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)	**6,531.84**	2,026.41
Additional information:		
1) Details of security for secured loans:		
a. Against assets purchased on finance lease	**9.35**	49.96
b. Against security of Motor cars	**10.95**	36.06
c. Loan from bank 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**	–

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.

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:**
Loan carries interest at Corporation bank base rate plus 3.60% and is repayable in 60 equated monthly instalments of Rs.69.57 lakhs 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%

6 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	–	–
7. Other Long term liabilities		
Security deposits from supplier, dealers etc	**1,334.24**	715.00
	1,334.24	715.00
8. Long term Provisions		
Provisions for employee defined benefit plans (refer. note 43)	**1,351.22**	1,265.54
	1,351.22	1,265.54
9. Short term Borrowings		
1) Secured Loans:		
a) Loans repayable on demand - from banks	**9,630.04**	10,671.58
b) Loan against pledge of fixed deposit from Bank	**14.41**	1.07
	9,644.45	10,672.65
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	**13,673.33**	15,174.67

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
1) **Details of security for secured loans:**		
a) First pari passu charge on all current assets and certain fixed assets and the said credit facilities have been guaranteed by the Chairman and Managing Director of the Company.	**9,630.04**	10,671.58
b) Against pledge of fixed deposits	**14.41**	1.07
c) Working capital loans carry a interest of 13.75% to 14%		

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) Inter corporate deposits 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.

10. Trade payables		
i) Trade payables	**14,558.72**	13,829.31
ii) Acceptances	**13,360.94**	10,234.25
	27,919.66	24,063.56

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:

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.

11. Other current liabilities:		
a) Current maturities of finance lease obligations	**9.35**	41.90
b) Current maturities of car loan from a Company	**10.95**	25.11
c) Current maturities of fixed deposit	**358.32**	1,197.42
d) Current maturities of secured loan from bank	**446.04**	–
e) Interest accrued but not due on deposits	**198.11**	192.59
f) Statutory liabilities	**707.47**	589.28
g) Other liabilities	**2,813.93**	2,535.22
h) Trade advances	**1,887.03**	1,840.85
i) Advance for sale of asset (refer note 45 (c))	**305.59**	–
	6,736.79	6,422.37

NOTES TO FINANCIAL STATEMENTS

12. Short term provisions:

a)	Provision for short term compensated absences (refer note 48)	**18.61**	20.45
b)	Provision for wage arrears (refer note 48)	**245.02**	172.96
c)	Provision for warranty (refer note 48)	**357.07**	389.27
d)	Provision for stamp duty (refer note 48)	**110.40**	597.06
e)	Provision for tax (net of advance tax outside India)	**6.07**	6.67
		737.17	1,186.41

13. FIXED ASSETS: (₹ in Lakhs)

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
Particulars	As at 1st April, 2013	Additions for the year	Deductions/ adjustments during the year #	As at March 31, 2014	As at April 1, 2013	For the year	Deductions/ adjustments during the year #	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible Assets										
Land	1,223.87	3.75	–	1,227.62	–	–	–	–	1,227.62	1,223.87
Building (*)	5,062.09	235.74	68.29	5,229.54	1,520.59	153.14	25.55	1,648.18	3,581.36	3,541.50
Plant and equipment	15,512.57	87.64	423.25	15,176.96	10,386.27	909.48	192.66	11,103.09	4,073.87	5,126.30
Tools and Jigs	1,380.83	98.75	–	1,479.58	798.06	91.78	–	889.84	589.74	582.77
Electrical installations	206.76	–	–	206.76	93.89	10.83	–	104.72	102.04	112.87
Motor vehicles	484.68	–	9.53	475.15	261.25	35.52	6.87	289.90	185.25	223.43
Office equipments	58.40	35.99	–	94.39	20.69	11.12	–	31.81	62.58	37.71
Furniture and fittings	1,145.06	34.30	11.83	1,167.53	806.10	60.24	6.28	860.06	307.47	338.96
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
	27,921.46	516.33	513.77	27,924.02	14,930.45	1,325.60	231.36	16,024.69	11,899.33	12,991.01
Intangible assets										
Goodwill	423.46	–	–	423.46	423.46	–	–	423.46	–	–
Computer software	437.72	46.14	–	483.86	380.83	45.56	–	426.39	57.47	56.89
Technical knowhow and product development	147.93	–	–	147.93	141.71	6.22	–	147.93	–	6.22
	1,009.11	46.14	–	1,055.25	946.00	51.78	–	997.78	57.47	63.11
TOTAL	**28,930.57**	**562.47**	**513.77**	**28,979.27**	**15,876.45**	**1,377.38**	**231.36**	**17,022.47**	**11,956.80**	**13,054.12**
	(28,674.57)	(278.24)	(22.24)	(28,930.57)	(14,190.58)	(1,703.29)	(17.42)	(15,876.45)		

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.

Additions to and deductions from fixed assets includes inter head transfers.

(₹ in Lakhs)

Particulars	**As at March 31, 2014**	As at March 31, 2013
14. Capital work in progress:		
i) Plant and machinery	**–**	46.94
ii) Building under construction $	**165.57**	382.39
	165.57	429.33

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

NOTES TO FINANCIAL STATEMENTS

15. 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) Subsidiaries: (Trade)						
Fully paid up						
Kirsons BV (refer note 4 below)	**2,230**	**€ 100.00**	**19,086.66**	1,889	€ 100.00	15,458.53
KEC North America Inc (refer note 5 below)	**210**		**129.36**	210		129.36
ii) Associates: (Trade)						
Fully paid up						
Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	**3,00,000**	**MR1**	**5.29**	3,00,000	MR1	5.29
iii) Others						
Fully paid up						
ICICI Ltd (on merger of Sangli Bank Limited)	**1,081**	**10**	**1.00**	1,081	10	1.00
The Mysore Kirloskar Ltd (refer note 3 below)	**7,70,750**	**10**	**–**	7,70,750	10	–
Kirloskar Proprietary Ltd	**26**	**100**	**1.28**	26	100	1.28
Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.52**	1,272	K.Sh 1000	8.52
Kirsons Trading Pte.Ltd	**56,250**	**S $1**	**11.20**	56,250	S $1	11.20
Kirloskar Power Equipments Ltd	**3,40,000**	**10**	**28.17**	3,40,000	10	28.17
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			**19,271.48**			15,643.35
Less:						
Provision for diminution in value of investments			**129.36**			129.36
Total			**19,142.12**			15,513.99

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 **19,270.48** 15,642.35
3) Securities in The Mysore Kirloskar Limited have been written off.
4) Pledged to Morgan Walker Solicitors LLP, London
5) This Company has been dissolved. However, the investment has not been written off since no approvals have been obtained from Reserve Bank of India. However, full provision has been made for the same.

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
16. Long term loans and advances:		
(Unsecured and considered good)		
i) Capital advances	**90.29**	93.90
ii) Security deposits	**386.28**	342.36
iii) Loans and advances to related parties	**280.00**	280.00
iv) Disputed statutory liabilities/ taxes paid	**1,016.55**	987.94
	1,773.12	1,704.20
Amount due from a private company in which a director of the Company is a director	**100.00**	100.00

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
17. Other non current assets (unsecured and considered good)		
i) Long term trade receivables	**78.85**	105.01
ii) Advance payment of tax (net)	**73.06**	19.10
	151.91	124.11
18. Inventories:		
i) Raw materials, stores and spares, components (*)	**1,784.98**	1,927.96
ii) Work in progress	**10,776.43**	9,768.10
iii) Finished goods	**2,807.51**	1,693.94
iv) Others (scrap stock)	**4.24**	4.50
Goods in transit:		
i) Raw materials, Stores and spares, components (*)	**11.22**	103.30
ii) Finished goods	**82.16**	2.60
	15,466.54	13,500.40
Less: Provision for non-moving stocks	**55.94**	–
	15,410.60	13,500.40
(*) Stores and spares, components are not seperately ascertainable		
19. Trade receivables:		
i) Trade receivables exceeding six months	**6,451.32**	6,480.92
ii) others	**10,374.14**	13,704.93
	16,825.46	20,185.85
Less: Allowance for doubtful debts	**1,161.40**	673.07
	15,664.06	19,512.78
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**15,664.06**	19,512.78
ii) Doubtful	**1,161.40**	673.07
Total	**16,825.46**	20,185.85
Less: Allowance for doubtful debts	**1,161.40**	673.07
	15,664.06	19,512.78
2) Debts due by private companies in which directors of the Company are directors	**8.48**	10.99
20. Cash and bank balances:		
a) Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	**4,655.59**	1,848.77
ii) Cash on hand	**6.14**	4.02
iii) Funds in transit	**13.38**	–
	4,675.11	1,852.79
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	**369.66**	482.66
	447.75	840.32
Total (a + b)	**5,122.86**	2,693.11

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
21. Short term loans and advances:		
i) Loans and advances to related parties (refer note 41)	**601.59**	561.25
ii) Others	**1,203.55**	1,293.24
	1,805.14	1,854.49
Less: Allowance for doubtful advances	**349.14**	337.18
	1,456.00	1,517.31
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**1,456.00**	1,517.31
ii) Doubtful	**349.14**	337.18
Total	**1,805.14**	1,854.49
Less:		
Allowance for doubtful advances	**349.14**	337.18
	1,456.00	1,517.31
2) Debts due by private companies in which directors of the Company are directors	**252.77**	334.25
22. Other Current assets		
i) Central excise receivable	**730.00**	723.02
ii) VAT receivable	**1,447.69**	852.31
iii) Assets held for sale - refer note 40	**793.09**	793.09
	2,970.78	2,368.42
Less:		
Provision for asset held for sale	**66.72**	–
	2,904.06	2,368.42

NOTES TO FINANCIAL STATEMENTS

23. 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	**4,324.93**	4,973.74
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
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.

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
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

(₹ in Lakhs)

Particulars	Current Year	Previous Year
24. Revenue from operations:		
i) Sale of products		
Motors, alternators and generators	**36,315.71**	42,138.09
Transformers	**23,565.86**	28,096.81
DG sets	**7,241.88**	10,397.65
Others	**6,801.42**	6,905.41
Total	**73,924.87**	87,537.96
ii) Sale of services	**916.06**	874.21
	74,840.93	88,412.17
Less:		
Excise duty	**6,856.66**	8,217.90
	67,984.27	80,194.27
25. Other income:		
i) Interest income	**62.54**	70.37
ii) Dividend income from long term investments	**8.70**	5.62
iii) Profit on sale of fixed assets (net)	**1,237.61**	–
iv) Unclaimed credit balance written back	**82.86**	590.00
v) Rent received	**48.27**	46.88
vi) Miscellaneous Income	**280.37**	188.96
	1,720.35	901.83
26. Cost of materials consumed:		
Consumption of raw materials, components, stores and spare parts*	**54,823.15**	61,739.59
	54,823.15	61,739.59
* Value of stores and spare parts not ascertained separately		
Additional information:		
1 i) Copper (Wires, strips, rods, sheets etc)	**11,370.66**	17,231.97
ii) Iron and steel (pigiron, rounds, plates, sheets , etc.,)	**7,675.34**	7,942.31
iii) Others	**35,777.15**	36,565.31
2 Cost of materials consumed includes Rs.55.94 Lakhs towards Provision for slow and non moving inventory.		
27. Changes in inventories of finished goods, work in progress and stock in trade:		
Stocks at the end of the year		
i) Work in progress		
Motors, alternators and generators	**7,231.44**	6,283.55
Transformers	**1,948.40**	1,737.35
DG Sets	**1,536.36**	1,596.96
Others	**60.23**	150.24
Total	**10,776.43**	9,768.10

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Current Year	Previous Year
ii) Finished goods		
Motors, alternators and generators	**1,675.27**	1,154.02
Transformers	**1,004.67**	382.84
DG sets	**29.50**	105.35
Others	**180.22**	54.33
Total	**2,889.66**	1,696.54
iii) Scrap	**4.24**	4.50
	13,670.33	11,469.14
Less:		
Stocks at the beginning of the year		
i) Work in progress		
Motors, alternators and generators	**6,283.55**	4,617.62
Transformers	**1,737.35**	1,599.66
DG sets	**1,596.96**	1,116.60
Others	**150.24**	22.29
Total	**9,768.10**	7,356.17
ii) Finished goods		
Motors, alternators and generators	**1,154.02**	1,087.89
Transformers	**382.84**	249.26
DG sets	**105.35**	95.52
Others	**54.33**	51.79
Total	**1,696.54**	1,484.46
iii) Scrap	**4.50**	10.67
	11,469.14	8,851.30
	(2,201.19)	(2,617.84)
28. Employee benefit expenses:		
i) Salaries, wages and bonus	**6,188.61**	6,295.34
ii) Contribution to provident and other funds	**674.43**	1,024.16
iii) Staff welfare expenses	**1,024.79**	977.36
	7,887.83	8,296.86
29. Finance costs:		
i) Interest expense	**3,580.39**	2,586.37
ii) Amortisation of premium on forward contract	**9.78**	13.86
iii) Other borrowing costs	**603.70**	757.69
	4,193.87	3,357.92
30. Depreciation and amortization:		
i) Depreciation	**1,325.60**	1,625.42
ii) Amortization of intangible assets	**51.78**	77.87
iii) Withdrawal of depreciation on account of assessment of stamp duty payable on Scheme	**(205.83)**	–
	1,171.55	1,703.29

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars		Current Year		Previous Year
31. Other expenses:				
i) Power and fuel		**974.32**		926.30
ii) Rent		**291.66**		636.73
iii) Repairs to buildings		**75.07**		42.07
iv) Repairs to machinery		**315.48**		226.71
v) Repairs to others		**270.70**		283.86
vi) Vehicle maintenance		**32.78**		37.36
vii) Insurance		**38.48**		40.33
viii) Rates and taxes		**113.67**		130.75
ix) Payment to auditors				
– as auditor (includes branch audit fees of Rs.0.14, previous year Rs.0.12)	**38.14**		25.12	
– for taxation matters (includes Rs.0.13, previous year Rs.0.09 to branch auditor)	**26.13**		21.58	
– for Certification work	**7.00**		7.00	
– for limited review	**15.00**		15.00	
– for reimbursement of expenses	**3.53**		9.10	
		89.80		77.80
x) Selling expenses		**1,850.55**		1,494.59
xi) Commission		**28.17**		25.94
xii) Warranty claims		**473.62**		573.32
xiii)Allowance for doubtful trade receivables		**621.67**		150.00
xiv)Allowance for doubtful loans and advances		**11.96**		39.66
xv) Net (gain)/loss on foreign currency transaction and translation		**262.33**		92.75
xvi)Bad trade receivables written off	**177.52**		616.71	
Less: Allowance for doubtful trade receivable withdrawn	**133.34**		1.98	
		44.18		614.73
xvii) Loss on sale of fixed asset (net)		**–**		2.92
xviii) Donations		**0.65**		45.02
xix) Legal and professional charges		**514.70**		655.62
xx) Travelling		**769.69**		911.29
xxi) Printing and stationary		**73.92**		88.73
xxii) Postage, telgrams and telephones		**164.31**		172.93
xxiii) Directors sitting fees		**13.05**		10.65
xxiv) Provision for assets held for sale		**66.72**		–
xxv) Miscellaneous expenses		**837.25**		783.50
		7,934.73		8,063.56
32. Prior period items:				
i) Income		**–**		0.15
ii) Expenses		**0.08**		22.67
33. Additional Information:				
a) Value of Imports calculated on CIF basis:				
i) Raw Materials, Components and spare parts		**2,052.31**		5,453.78
ii) Capital goods		**–**		7.90
b) Expenditure in foreign currency: (net of withholding tax)				
i) Professional, consultancy and other fees		**–**		23.62
ii) Travel		**149.75**		118.05
iii) Investments in wholly owned subsidaiary		**3,628.13**		2,810.41

c)

Sl. No.	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	**2,798.95**	**5.11%**	6,088.63	9.86%
ii)	Value of indigenous raw materials, spare parts and components consumed	**52,024.20**	**94.89%**	55,650.96	90.14%
		54,823.15	**100%**	61,739.59	100.00%

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Current Year	Previous Year
d) Details of non-resident shareholdings		
i) Number of nonresident share holders	**420**	361
ii) Number of shares held by nonresident shareholders	**22,46,425**	19,83,270
e) Earnings in foreign exchange:		
i) Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	**5,678.98**	6,763.67
ii) Royalty, Knowhow, professional and consultancy fees	**–**	113.75
iii) Dividends received	**8.47**	5.42
iv) Remittances from overseas offices (Net)	**467.90**	460.14
34. Earnings per share: (Basic and diluted)		
Profit/(loss) for the year after tax expense	**(4,100.96)**	416.03
Weighted average number of equity shares	**5,05,21,367**	5,05,21,367
Earnings per share	**(8.12)**	0.82

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

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

36. 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.

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

38. 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.

39. 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.

40. Machinery purchased in prior years but currently held for sale for the past several years have been recognized at realizable value estimated by the management. Such value is consistent with quotations received from prospective buyers.

41. 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.

42. During the previous year, the share holder 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 FINANCIAL STATEMENTS

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

(a) **Defined contribution plan:**

Contribution to defined contribution plan are recognized as expense for the year are as under: (₹ in Lakhs)

Particulars	Current Year	Previous Year
Employer's contribution to provident & 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)

Sl. No.	Particulars	As at March 31, 2014 Gratuity (Funded)	As at March 31, 2014 Leave (Funded)	As at March 31, 2013 Gratuity (Funded)	As at March 31, 2013 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)

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions: Mortality table	**As at March 31, 2014**		As at March 31, 2013	
	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.

44. SEGMENT REPORTING:

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

(₹ in Lakhs)

Particulars	**Primary Segment**			
	Power Generation & Distribution Group	**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. **Unallocable capital expenditure**				**86.16** (114.62)

NOTES TO FINANCIAL STATEMENTS

45. 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 Vijaykirthi 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 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		**–**	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 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:**

Particulars	Relationship	As at March 31, 2014	As at March 31, 2013
Amount due to Company:			
Krisons BV	Subsidiary	**39.13**	37.82
Lloyd Dynamowerke Gmbh & Co. KG	Stepdown 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	Stepdown 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			
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			
Krisons BV	Subsidiary	**19,086.66**	15,458.53
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.

NOTES TO FINANCIAL STATEMENTS

46. 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)

47. 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.291.66 Lakhs (Previous Year Rs.636.73 Lakhs).

48. 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)

49. (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

NOTES TO FINANCIAL STATEMENTS

50. 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.

51. 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.

52. 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 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

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

A S Lakshmanan
Director

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

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

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

A S Lakshmanan
Director

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

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

(₹ in Lakhs)

	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

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

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

A S Lakshmanan
Director

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND:

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

2. BASIS OF CONSOLIDATION:

The 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailings 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

7. Share Capital:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	₹ in Lakhs	Number	₹ in Lakhs
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	As at March 31, 2014		As at March 31, 2013	
	Number	**₹ in Lakhs**	Number	₹ in Lakhs
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 guarnatee 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 monthlyi nstalments 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, 2013	As at March 31, 2012
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)

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
Particulars	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, 2013	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 know how 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.

(₹ 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. NON CURRENT INVESTMENTS:

	Details of Investments	Name of the Company	As at March 31, 2014			As at March 31, 2013		
			No of Shares	**Face Value**	**₹ in Lakhs**	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.							

(₹ 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at March 31, 2014	As at March 31, 2013
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
	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(₹ in Lakhs)

	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
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Commitments (₹ in Lakhs)

Sl. No.	Particulars	As 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

(₹ in Lakhs)

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		
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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	Current Year	Previous Year
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
	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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)

	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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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)**	LIC 1994 – 96 (Ultimate)	LIC 1994 – 96 (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.

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 Group	**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 & additions to tangible and intangible assets:

(₹ in Lakhs)

	Carrying amounts of segment assets		Additions to fixed assets & 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 DISCLOSURE:

(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 THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Related party transactions:

(₹ in Lakhs)

Nature of Transactions	KMP	Associates	Enterprise in which KMP are able to excercise significant influence
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

(b) 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:**

(₹ in Lakhs)

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.

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:

(₹ in Lakhs)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

KIRSONS B.V.

in Amsterdam

Financial statements of the year 2013-2014

Report of the auditor
Ozlo Accountants

To the Board of Managing Directors of
Kirsons B.V.
Prins Bernhardplein 200
1097 JB AMSTERDAM

Oostzaan, July 23, 2014

Dear Sirs,

According to your assignment we have audited the financial statements for the year 2013-20 14 (ending March 31,2014) of Kirsons B.V. in Amsterdam (Netherlands).

1 GENERAL INFORMATION

1.1 Scope of engagement

According to your assignment we have audited the financial statement 2013-2014 of Kirsons B.V. in Amsterdam (Netherlands). These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are stated on the pages 6 up to and including 17 of this report.

1.2 Registration

The company is first registered under number 34308680 in the trade register of the Chamber of Commerce in Amsterdam on August 11 , 2008. The companies' activities have started at August 11,2008.

1.3 Activities of the company

The activities of the company consist of rendering advisory services and trading of electric motors and other products.

1.4 Management

At the end of this financial year the management of the company was carried out by Mr. Vijay R. Kirloskar, Mr. Vinayak N. Bapat and Mr. Pralhad P. Katti.

The auditor's report is stated under "Other information" on page 20 of this report.

We hope to have served you duly in this matter. We are willing to give further explanation if requested.

Yours sincerely,

Dr. Gerrit C. Groen RA

1 Balance Sheet as per March 31, 2014
(after appropriation of the result)

		March 31, 2014		March 31, 2013	
		€	€	€	€
ASSETS					
Fixed assets					
Intangible fixed assets	(1)				
Intellectual property			1.143.000,00		1.270.000,00
Financial fixed assets	(2)				
Subsidiaries			30.115.148,77		30.115.148,77
Current assets					
Receivables	(3)				
Loans and advancements to subsidiaries		767.831,41		291.401,11	
Tax receivables		1.287,95		10.666,91	
Prepaid expenses		2.096,25	771.215,61	2.096,25	304.164,27
Cash	(4)		28.136,88		16.191,55
TOTAL			32.057.501,26		31.705.504,59
EQUITY AND LIABILITIES					
Shareholders' equity	(5)				
Issued and paid up share capital		223.000,00		188.900,00	
Share premium		26.579.243,55		22.152.191,55	
Other reserves		2.631.046,08		2.925.166,16	
			29.433.289,63		25.266.257,71
Long-term liabilities	(6)				
Debts to banks			–		1.700.000,00
Current liabilities	(7)				
Redemptions coming year loan from ICICI Bank Canada		2.550.000,00		3.400.000,00	
Accounts payable		1.570,12		349,88	
Accruals and deferred liabilities		72.641,51		1.338.897,00	
			2.624.211,63		4.739.246,88
TOTAL			32.057.501,26		31.705.504,59

2 PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1 ,2013 TILL MARCH 31, 2014

		2013/2014		2012/2013	
		€	€	€	€
Net turnover	(8)		36.347,81		169.100,00
			36.347,81		169.100,00
Costs					
Depreciation costs	(9)	127.000,00		–	
Operating costs		48.997,42		183.840,35	
			175.997,42		183.840,35
Operating result			-139.649,61		-14.740,35
Interest income and related revenues	(11)	8.095,13		307.644,13	
Interest expenses and related expenses	(12)	-88.477,24		-180.931,05	
Financial result			-80.382,11		126.713,08
Result before taxation			-220.031,72		111.972,73
Taxation	(13)		-74.088,36		-215.920,03
Net result for the year			-294.120,08		-103.947,30

3 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

GENERAL INFORMATION

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

The valuation of assets and liabi lities and the determination of the resu It occurs under the historical costs convention. Unless presented otherwise assets and liabiliities are stated at face value. Income and expenses are accounted for on accrual basis. Profit is only included if and when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if and when these are known before finalizing the financial statements.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

The intangible fixed assets are valued at cost price and diminished with straight line depreciation.

Financial fixed assets

The participations in the subsidiaries are valued at cost price according to Dutch reporting guideline RJ 214.325 since the exemption of article 408, Book 2 of te Dutch Civil Code is applied.

Receivables

Upon initial recognition the receivables are accounted for at face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Cash

Cash in hand and at the bank are accounted for at face value.

Liabilities

Liabilities are accounted for at face value unless otherwise stated.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The result is determined as the difference between net turnover and operating costs and other expenditures taking into account the above mentioned principles of valuation.

Net turnover

The net turnover represents amounts invoiced for goods supplied and services rendered during the financial year net of discounts and value added taxes.

Depreciation costs

The depreciation costs of intangible fixed assets are calculated by means of a fixed percentage of the cost price.

Financial result

The interest income and interest expenses relate to in this financial year received and paid interest of issued and received loans.

Taxation

Corporation tax is calculated at the applicable rate on the result for the financial year, taking into account differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

4. NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2014

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Intellectual property
	€
Bookvalue as per April 1,2013	1.270.000,00
Depreciation	-127.000,00
Bookvalue as per March 31, 2014	1.143.000,00
Acquisition price	1.270.000,00
Accumulated depreciation	-127.000,00
Bookvalue as per March 3 I, 2014	1.143.000,00
Rate of depreciation	%
Intellectual property	10

2. Financial fixed assets

	03-31-2014	03-31-2013
	€	€
Subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG, shareholders' loan	30.081.211,75	30.081.211,75
Lloyd Beteiligung GmbH	33.937,02	33.937,02
	30.115.148,77	30.115.148,77
Lloyd Dynamowerke GmbH & Co. KG, shareholders' loan		
Account balance as per April 1	30.081.211,75	23.154.154,56
Cost additions during the year	–	6.927.057,19
Account balance as per March 31	30.081.211,75	30.081.211,75
Lloyd Beteiligung GmbH		
Account balance as per April1	33.937,02	33.937,02
Movements	–	–
Account balance as per March 31	33.937,02	33.937,02

CURRENT ASSETS

3. Receivables

Loans and advancements to subsidiaries

Lloyd Dynamowerke GmbH & Co. KG, shareholders' loan	545.673,41	291.401,11
Lloyd Dynamowerke GmbH & Co. KG, accounts receivable	222.158,00	–
	767.831,41	291.401,11

The company can not claim repayments of its shareholders' loan to Lloyd Dynamowerke GmbH & Co. KG until the shareholder accounts and the shareholders' equity combined on the balance sheet of Lloyd Dynamowerke GmbH & Co. KG are above 40% of the balance sheet total.

Tax receivables

VAT refundable	1.287,95	779,00
Foreign withholding tax in Germany	–	9.887,91
	1.287,95	10.666,91

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2014

		03-31-2014	03-31-2013
		€	€
Prepaid expenses			
	Prepaid expenses	2.096,25	2.096,25
4.	**Cash**		
	ING Bank N.V., current account (6808.74.488)	27.753,56	15.812,69
	ING Bank N.V., savings account (6808.74.488)	383,32	378,86
		28.136,88	16.191,55
	EQUITY AND LIABILITIES		
5.	**Shareholders' equity**		
	Issued and paid up share capital		
	2.230 ordinary shares each of a nominal value of €100	223.000,00	188.900,00

The authorised capital of the company amounts to € 390.000 consisting of 3 .900 ordinary shares each of a nominal value of € 100.In this financial year 341 (previous year 306) ordinary shares were issued and fully paid up.

		04-1-2013 till 03-31-2014	04-01-2012 till 03-31-2013
		€	€
	Share premium		
	Account balance as per April 1	22.152.191,55	18.199.791,55
	Share premium paid on new issued shares	4.427.052,00	3.952.400,00
	Account balance as per March 31	26.579.243,55	22.152.191,55
	Other reserves		
	Account balance as per April 1	2.925.166,16	3.029.113,46
	Net result	-294.120,08	-103.947,30
	Account balance as per March 31	2.631.046,08	2.925.166,16
6.	**Long-term liabilities**		
	Debts to banks		
	Loan from ICICI Bank Canada	–	1.700.000,00
	Loan from ICICI Bank Canada		
	Account balance as per April 1	5.100.000,00	8.500.000,00
	Redemptions	-2.550.000,00	-3.400.000,00
	Account balance as per March 31	2.550.000,00	5.100.000,00
	Redemptions coming year	-2.550.000,00	-3.400.000,00
	Book value as per March 31	–	1.700.000,00

The loan was granted in September 2008 for a six year period. Redemption is agreed upon in 20 equal quarterly instalments of € 850.000,00 commencing from December 2009 until September 2014. An amount of € 3.400.000,00 is to be redeemed within 12 months after balance sheet date.

The interest rate is calculated at 3 months LIBOR plus 2 percent and stated in euro.

The bank loan is secured by pledge of shares of the company and its subsidiaries and is backed by a Standby Letter of Credit from ICICI Bank Limited in India.

		03-31-2014	03-31-2013
		€	€
7.	**Current liabilities**		
	Redemptions coming year loan from ICICI bank canada		
	Redemptions	2.550.000,00	3.400.000,00
	Accounts payable		
	Accounts payable to creditors	1.570,12	349,88

NOTES TO THE BALANCE SHEET AS PER MARCH 31, 2014

		03-31-2014	03-31-2013
		€	€
	Accruals and deferred liabilities		
	Accruals		
	Accounts payable Kirloskar Electric Company Ltd.	47.619,00	53.809,00
	Interest loan ICICI Bank Canada	17.522,51	6.318,00
	Audit fee	7.500,00	7.500,00
	Legal and other services	–	1.270,00
	Accounts payable Lloyd Dynamowerke GmbH & Co. KG	–	1.270.000,00
		72.641,51	1.338.897,00

5. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOID APRIL 1, 2013 TILL MARCH 31, 2014

		04-1-2013 till 03-31-2014	04-01-2012 till 03-31-2013
		€	€
8.	**Net turnover**		
	Advisory services	36.347,81	169.100,00
9.	**Depreciation costs**		
	Intangible fixed assets	127.000,00	–
	Operating costs		
10.	General expenses		
	Advisory expenses from parent company	-	160.609,00
	Legal service costs	1.379,53	6.410,49
	Tax advise, VAT and corporate tax	1.867,54	4.134,51
	Audit fee	8.550,00	7.500,00
	Trust service costs	11.743,05	5.186,35
	Professional charges	25.457,30	-
		48.997,42	183.840,35
	Financial result		
11.	Interest income and related revenues		
	Interest on loan to Lloyds Dynamowerke GmbH & Co. KG	8.066,00	307.612,38
	Interest income	29,13	31,75
		8.095,13	307.644,13
12.	Interest expenses and related expenses		
	interest loan from ICICI Bank Canada	-82.962,80	-174.899,96
	Bankcharges	-5.514,44	-6.031,09
		-88.477,24	-180.931,05
13.	**Taxation**		
	Foreign withholding tax written off	-74.088,36	-215.920,03

Signing of the financial statements
Amsterdam July 23,2014

Mr. Vijay R. Kirloskar Mr. Vinayak N. Bapat Mr. Pralhad P. Katti

To the Managing Board of Directors

1 AUDITORS' REPORT

We have audited the accompanying financial statements for the year ended March 31, 2014 of Kirsons B.V. in Amsterdam (Netherlands), which comprise the balance sheet as at March 31,2014 and the profit and loss account for the period April 1, 2013 till March 31, 2014 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines necessary to enable the preparation of the financial statements free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2014 and of its result for the period April 1, 2013 till March 31, 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Oostzaan, July 23, 2014

Ozlo Accountants

Drs. Gerrit C. Groen RA

2 Statutory rules concerning the appropriation of the profit

According to article 28 of the Articles of Association the appropriation of the profit is as follows:

1. The profit shall be at the free disposal of the general meeting of shareholders.
2. The company may only make distributions to the shareholders and others entitled to the profit susceptible of distribution in so far as the equity is greater than the paid-up and called part of the capital increased by the reserves that must be maintained by virtue of the law.
3. Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.
4. On shares acquired by the company in its own capital or at their depositary receipts no distribution shall be made for the benefit of the company. When the appropriation of profit is calculated, the shares on which no distribution is made in pursuance of the preceding paragraph shall not be counted.
5. In the meantime the company may only make ditributions if the requirement of paragraph 2 has been fulfilled.
6. The general meeting of shareholders may resolve that dividends will be paid out entirely or partly in another form than money.
7. Out of the reserves prescribed by the law a deficit may only be paid in so far as the law permits this.
8. Dividends must be made payable one month after declaration, unless the general meeting of shareholders sets another time.
9. Claims on dividend shall lapse on expiry of five years after the start of the day following the one on which they became claimable.

3 Processing of the loss for the financial year 2013-2014

According to Dutch legislation the loss off € 294.120,08 has to be deducted from the other reserves. This deduction has already been accounted for in the financial statements.

Lloyd Dynamowerke GmbH & Co. KG
Bremen, Germany

Audit of the Annual Financial Statements for the Period Ending March 31, 2014
and the Management Report for Financial Year 2014

A. Audit Engagement and Confirmation of Independence

I. Audit Engagement

1. Following our election as auditors at the shareholders' resolution of 12 July 2013, the supervisory board of the personally liable partner of

   Lloyd Dynamowerke GmbH & Co. KG, Bremen,

   (hereinafter referred to as "LDW" or "the Company")

   engaged us to audit the annual financial statements of the Company for the financial year from 1st April 2013 through 31 March 2014 including the bookkeeping system and the management report for the financial year then ended in accordance with Section 316 et seqq. HGB.

2. As a commercial partnership LDW fulfills the criteria of Section 264a HGB. As a large company within the meaning of Section 267 (3) and (4) HGB, the Company therefore has the duty to prepare annual financial statements in accordance with the provisions applicable to corporations, and a management report pursuant to Section 289 HGB. The annual financial statements and the man- agement report must be audited in accordance with Section 316 et seqq. HGB and, pursuant to Section 325 HGB, must be electronically submitted with the operator of the Federal Gazette and published in the Federal Gazette.

3. This engagement and our liability, also in relation to third parties, are governed by the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" dated January 1, 2002 which are enclosed as an Appendix to this report.

4. We have prepared the following report on the nature and scope and the results of our audit in accordance with the principles set forth in IDW PS 450; the audited annual financial statements and the audited management report are attached to this report as Appendices.

II. Confirmation of Independence

5. In accordance with Section 321 (4a) HGB, we confirm that we conducted our audit of the annual financial statements with due regard to the applicable provisions on independence.

B. General Findings

I. Opinion on the Management Assessment of the Company's Position

6. Hereafter we present as summary the assessment of LDW's position as assessed by the management (refer to attachment I).

7. The management report contains, in our opinion, the following key arguments with respect to the business performance and position of the company:

   The management initially addresses the macroeconomic development in Germany and subsequently the electrical machines industry. The global uncertainty and economic crisis within Europe have led to customer reluctance. As a result, LDW is feeling the impact of the Eastern European conflict. The economic growth in the electrical machines industry was rather sluggish during the last business year. Correspondingly, awarding of contracts was subject to great competition pressure. Even the niche market was marked by the emergence of strong competitors, who are usually rather active in the standard sector.

   The incoming orders amounted to € 38 m and were slightly lower than last year. Among other things, a major contract could be obtained during the 2013/14 fiscal year.

   Internally, a largescale project is the implementation of the new ERP Software SAP. This will help LDW to simplify its system environment and access a main data pool. The operating processes will be geared to the SAP standard. The implementation of SAP resulted in difficulties, which have also interfered with the performance output. Despite the difficulties associated with the implementation, savings are expected in the future, due to improved internal processes and an improvement in competitive standing.

   In July 2013, the shareholder established a supervisory committee. It consists of a representative of the Indian shareholder and two members from Germany, who have great experience with the operations and with respect to Corporate Governance. This board has held its meeting regularly since July 2013.

   LDW uses the incoming orders, revenues, performance, materials cost ratio, and annual result as performance indicators.

   The management states with regard to earning power that it has been characterized by a difficult market environment and many internal improvement measures. Because of the weak fourth quarter, the incoming orders lagged slightly behind, below the last year's figures. Almost 80% originate from the new machines, approximately 20 % from servicing. Henceforth, there was a slight increase in orders to € 38 m. The revenues account has decreased by € 0.9 m to € 39 m. As opposed to last year, the total performance lagged behind by € 3.8 m. In addition, the dampened economic environment during the fiscal year 2013/14 results in a lower volatility of prices for raw materials. The cost of restructuring, along with the implementation of SAP, has also had a negative impact. The shareholder has contributed last year € 6.9 m to the capital reserves account.

   With regard to the financial situation it is explained that the capital structure has been aggravated. The lines of bank credits are further available. The credit conditions have somewhat improved. Despite the negative earnings,

the cash flow from operating activities was positive (€ +5.3 m). The focus on an effective asset management has reaped its positive effects. The change in cash and cash equivalents, as opposed to last year, is € -0.8 m.

The description of the financial position first addresses the balance sheet structure. Because of high advance payments receipts which, in the balance sheet, are offset against the inventories, and which were received on the low balances of unfinished products and trade receivables, the balance sheet total has decreased substantially to approximately € 22 m. The intangible assets have increased based on the implementation of SAP. The property, plant and equipment account balance is about the same as last year. The unfinished and finished products have decreased significantly from € 10 m to € 6 m. Contrary to this development, the advances received increased to € 7 m. The net amount of inventories has been reduced with regard to the advances by approximately 46 %. The increase in the bank borrowings account by € 1.3 m is a consequence of the emerging loss.

In our opinion, the management report contains with regard to future development, including its chances and risks, the following key statements:

The management assumes risks for LDW in the financial markets as well as in the conflicts in Eastern Europe, for instance. If these problems become more intense, the necessary investments will delay worldwide. This will result in a reduced order inflow for the main customers, facility manufacturers, and consequently for LDW in less orders. This would have a negative impact on the economic situation and would require further cost reduction measures. The situation would yield revenues and earnings risks.

On the other hand, a strong boom could lead, for LDW, to speculative increases of com- modity prices and also to increases in the cost of materials as a result. The partial switch to sourcing out of India could partially compensate the price risks.

Opportunities are expected to emerge out of a likely boom recovery. The times of boom recovery yield opportunities to increase sales prices.

Further, opportunities are perceived by pursuing an internal project to increase productivi- ty with the help of an external expert. Moreover, the expansion of development and pro- duction of special machines is perceived as opportunity.

Forecast Report

Based on the current sales activities, an increase in revenues is expected in the new fiscal year. New additional orders with relatively short run times are mainly expected in the service sector but also in the new machines sector. In the next years LDW is expecting a slight decline in the business for direct current machines, increases in the business for threephase machines and continuous expansion of the service sector.

Following substantial start-up difficulties a success was achieved in purchasing parts, which are anyway purchased externally at significantly lower prices through the company of the Indian shareholder. The first parts have already been deployed. A material cost reduction was achieved in addition to the essential quality criteria. A purchase volume exceeding € 1 m is expected during the 2014/15 fiscal year. In the following years, the mutual co-operation should clearly be expanded.

In summary LDW is expecting growing sales and improved income quality, along with a materials cost reduction in the next three years. While assuming a loss during the present fiscal year, we are again expecting positive earnings as of 2016/17 at the latest. The target objective is a 5 % return on sales in three years of time.

The assessment of company's situation, the assessment of the going concern assumption, in particular, and the material risks and rewards, and the risks of future development of the company are valid and reasoned logically. Based on the result of our audit and the obtained knowledge, the assessment of the situation as assessed by the legal representative matches the scope, with the contents being true.

II. Development Interfering Measures

8. Last year (2012/13: € 6.5 m) and also this year (2013/14: € 5.8 m) the company has achieved net losses. The company is currently undergoing a restructuring process, in order to perform adjusting measures in terms of business model, internal processes, and personnel capacities. The net losses for years 2013 and 2014 are mainly a result of LDW's present inability of covering company's ex- penses by the generated revenues.

   On March 31, 2014, the company is over indebted with € 263 k.

   There are liabilities of € 11.7 million (previous year € 10.4 million) to the financing banks. On July 17, 2014 the banking syndicate assured to maintain the existing funding lines within the contractually agreed scope until 31 July 2015.

   To secure the solvency of LDW, the indirect shareholder Kirloskar Electric Company Limited, Bangalore, India has committed itself, in a letter of comfort dated on June 18, 2014, to providing the company with sufficient financial means, so the company can at any time meet its financial obligations.

   The annual financial statements were prepared under the going concern assumption as a result (Section 252 par. 1 HGB).

   We additionally refer to the presentations by the management in the management report, which ensures that the maintenance of solvency and hence the continuation of the company is dependent on the unmodified support of the financing banks and the indirect shareholder of Kirloskar Electric Company Limited, Bangalore / India.

III. Accounting Policy Measures

9. We perceive the term accounting policy measures as a grooming transaction and valuation measures affecting the presentation of the financial position, financial performance and earnings. The grooming transactions are measures which affect the recognition and/or the measurement of assets and liabilities; provided these deviate from the standard procedure, which meets the expectations of the annual financial statements readers according to our assessment, and where the deviation from the standard procedure affects the overall assessment of the annual financial statements.

   We have classified the following as grooming transactions:

   Deferred Tax Assets: The Company has made use of its election right to capitalize deferred taxes. The differences arising from the recognition of value in compliance with the HGB and values recognized for tax purposes mainly result from the recognition of balance sheet values out of the supplementary tax balance sheet as well as from tax loss carry forwards. Deferred tax assets amounting to € 2,647 k were capitalized. In this connection, refer to Appendix II.3.

   Self Constructed Intangible Assets: The company has taken advantage of the election right to capitalize its self-constructed intangible assets. These refer to capitalized self-servicing costs arising from development project from year 2012. The recognition includes the direct labor costs and overhead. The amount capitalized totaled € 120 k.

IV. Copy of the Auditors' Report

10. Based on the final results of our audit we issued the following unqualified auditor's report dated July, 18, 2014: "Auditors' Report

    We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the Lloyd Dynamowerke GmbH & Co. KG, Bremen, for the business year from 1 April 2013 to 31 March 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the shareholder agreement are the responsibility of the Managing Directors of the managing corporate general partner. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

    We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Director/s of the managing corporate general partner, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

    Our audit has not led to any reservations.

    In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

C. Subject, Nature and Scope of the Audit

11. The subject of our audit was the bookkeeping system, the annual financial statements for the financial year from 1 April 2013 through 31 March 2014, consisting of the balance sheet, income statement, notes to the financial statements, the provisions stipulated by commercial law for all merchants (Sections 242 to 256a HGB), the supplementary provisions for corporations and for certain commercial partnerships (Sections 264 to 288 HGB), and the management report for financial year 2014. The responsibility for the compliance of the bookkeeping system, annual finan- cial statements and management report with the applicable requirements lies with the Company's general partner GmbH. Our responsibility was to examine these documents to determine whether they comply with the statutory accounting provisions. We examined the management report to determine whether it is consistent with the annual financial statements and the knowledge obtained in the course of our audit and whether, on the whole, it provides a suitable understanding of the Company's position. At the same time, we also examined whether the management report suitably presents the opportunities and risks of future development.

12. Our engagement to audit the annual financial statements did not include assessing the adequacy of the Company's insurance coverage, or in particular, whether all risks have been recognized and sufficiently insured.

13. We conducted our audit in the months of March through June 2014 in the business premises of the company in Bremen, as well as in our office in Bremen.

14. The starting point was the annual financial statements for the financial year from 1 April 2012 through 31 March 2013, which WSG Hanseatische Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Bremen, had audited and provided with an unqualified auditor's report.

15. We conducted our audit in accordance with the provisions of Section 316 et seqq. HGB and the generally accepted standards for the audit of financial statements as set forth in the IDW Auditing Standards. In accordance herewith we planned our audit in such a way as to detect any inaccuracies and violations of statutory provisions which have a material influence on the presentation of a true and fair view of the net assets, financial position and results of operations. Our engagement did not include detecting or clarifying criminal offenses (such as fraud or any other form of breach of trust) or breach of administrative rules unrelated to the accounting context, or assessing the effectiveness or operational efficiency of the management. However, we planned and conducted our audit such that misstatements and violations which are material to the accounting would be detected with reasonable assurance. The Company's legal representatives are responsible for the implementation and enforcement of suitable measures to avoid or detect misstatements and violations; monitoring is the responsibility of the supervisory board which, in doing so, also takes into account the risk of control measures being circumvented.

16. In accordance with our risk driven audit approach we initially acquired up to date knowledge of the economic and legal environment of the Company. Based on this, we made ourselves familiar with the organizational structure of the Company and its corporate objectives and strategies in order to identify the business risks that may lead to material errors in the accounting records. By conducting interviews with the management and inspecting the organizational documentation of the Company, we then examined what measures the Company has taken to manage these business risks. In this connection, we examined the adequacy of the Company's accounting related internal control system. The examination of the internal control system focused on the following areas that are closely related to the accounting:

    – The Company's control environment
    – Regulations aligned towards the determination and analysis of risks relevant to the accounting
    – Implementation of control activities by the management as a response to risks that were identified
    – Bookkeeping system
    – Monitoring of the internal control system by the management

    The audit procedures which we performed on the internal control system were primarily directed towards the following business processes:

    – Purchasing
    – Sales
    – Personnel

    The main objective of the audit procedures described above was to identify those business risks that constitute a particular source of risk for material errors in the accounting records. We considered this knowledge in determining our further audit procedures. In areas where the management has implemented adequate internal controls to limit such risks, we conducted tests of operation to satisfy ourselves of the continuous effectiveness of those internal controls. The degree of effectiveness of those internal controls determined the nature and scope of our examination of individual business transactions and balances and the extent of our analytical audit procedures. To the extent we could rely on the accuracy of the figures to be audited because of the effectiveness of the internal controls, we extensively reduced the scope of our examination of individual transactions. Especially in the case of business transactions which, by their nature, are recorded and processed in large numbers according to identical procedures and within the framework of effective internal control (according to our preliminary findings), the audit focused on the consistent application of the internal controls of the Company. In the other areas, we mainly conducted tests of details on a sample basis, and analytical audit procedures.

17. These are the areas of emphasis which we determined for our audit of the annual financial statements:

    – Turnover realization
    – Inventories
    – Accruals

18. To audit the items in the annual financial statements of the Company, we reviewed, among other things, excerpts from the Land Register and Commercial Register, supply and service contracts, loan contracts, annual financial statements and long-form audit reports prepared by the auditors of affiliated companies and other group companies as well as other business records. We observed the physical count of inventories. In order to identify potential risks from pending litigation, we requested attorneys' confirmations, and to audit trade receivables and payables, we requested balance confirmations as of 31 March 2014. We obtained bank confirmations as of 31 March 2014 in order to audit the relationships with banks and financial services institutions.

    Auditing the pension provisions, we relied on actuarial reports from independent actuaries, the findings of which we were able to use.

19. We audited the figures of the opening balance sheet to determine whether they had been properly carried over from the prior year financial statements. We performed additional audit procedures to gain reasonable assurance that the opening balance sheet figures not audited by us do not contain any material errors.

20. The staff members authorized by the management supplied us with all information and supporting documentation which we requested.

The management submitted to us a standard letter of representation relating to the annual financial statements and the management report.

The management also confirmed in a supplementary representation that according to its view the effects from audit differences not corrected in the annual financial statements and disclosures not corrected in the management report are not of a material nature in each individual case and as a whole.

D. Findings Regarding Accounting Records

I. Adequacy of Accounting Records

1. Bookkeeping System and Other Audited Records

21. According to our findings, the bookkeeping system and the voucher system are proper and in compliance with the statutory provisions. The information which can be obtained from the other records audited is properly represented in the bookkeeping system, the annual financial statements and the management report.

22. Our audit has not revealed any matters which indicate that the Company's organizational and technical arrangements are inappropriate to ensure the security of the accounting relevant data and IT systems.

23. According to our findings, the accounting related internal control system is generally suitable to ensure complete and accurate recording, processing, documentation and safeguarding of the bookkeeping data.

2. Annual Financial Statements

24. The annual financial statements of LDW, consisting of the balance sheet, income statement, notes to the financial statements, cash flow statement and statement of changes in equity [as well as segment reporting] for the financial year from 1 April 2013 through 31 March 2014 were prepared in accordance with the statutory provisions including the legal form, [German] principles of proper accounting.

25. The balance sheet and the income statement were properly derived from the bookkeeping system and the other audited records. In doing so, the recognition, disclosure and valuation requirements of commercial law were observed.

26. The notes to the financial statements comply with the statutory provisions. The disclosures in the notes to the financial statements are complete and appropriate.

27. The protection clause under Section 286 HGB was exercised in the notes to the financial state- ments and as such disclosures regarding the declaration to total remuneration of the management have been omitted because on the basis of this the emoluments of an institution member could be detected. Our audit has found that no objections are to be raised to the exercising of the protection clause.

3. Management Report

28. The management report complies with the statutory provisions (Section 289 HGB). It is consistent with the annual financial statements and the knowledge obtained in the course of our audit. On the whole, the management report provides a suitable understanding of the Company's position. In our opinion, the presentation of the material opportunities and risks of future development in the management report is appropriate.

II. Overall Impression given by the Annual Financial Statements

29. The annual financial statements comply with the statutory provisions and, as a whole, give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting.

30. To provide a better understanding of the overall impression given by the annual financial statements, we refer below, as required by law, to the material valuation principles and the influence that changes to the valuation principles have had, as a whole, on the overall impression given by the annual financial statements (Section 321 (2) Clause 4 HGB).

Material Valuation Policies

31. Self constructed intangible assets refer to capitalized self services, which were provided in the course of a development project. The recognition includes direct labor costs and overhead.

32. Unfinished and finished products were measured on the basis of a supplementary charge calculation. They were recognized at historical cost, which includes the directly allocable direct costs (materials and external services expense) and also the indirect material, production and general administrative costs being allocated to individual cost drivers.

33. To that effect, each order was reviewed as of the closing date on whether a loss is to be expected or not. If inventories were recognized for each order, the expected loss was deducted from these. Provisions for impending losses are recognized for orders not accounting for inventories.

34. For more information on the significant accounting and valuation policies, refer to the notes of the company (Appendix II). The significant accounting and valuation policies, which were adopted last year, were again applied without changes.

E. Conclusion

We have prepared the above report on the audit of the annual financial statements of Lloyd Dynamowerke GmbH & Co. KG, Bremen, for the financial year from 1 April 2013 through 31 March 2014 and of the management report for the financial year then ended in accordance with the statutory provisions and the generally accepted standards for the issuance of long-form audit reports for the audits of financial statements (IDW PS 450).

The auditor's report is included in report section B "Copy of the Auditor's Report".
Bremen, July 18, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Ull	**ppa.Thomas Kohnert**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Management Report for the April 1, 2013 – March 31, 2014 Business Year

I. Business Objectives

1. Company's Business Model

Lloyd Dynamowerke GmbH & Co. KG (hereafter referred to as LDW) develops, finishes, and distributes rotary electrical machines. In addition, it provides consulting services and service with respect to electrical machines and any related facilities. The business model entails the new development of electrical machines, including the construction of prototypes for other manufacturers.

With regard to the electrical machines, it involves direct current machines and three- phase machines, in particular. The company manufactures both engines and generators. These machines are mainly deployed in larger facilities, such as the petro-chemical and hydroelectric power plants, or in the extraction technology. Another filed of application is the shipbuilding industry.

As to the quality, our electrical drives are upscale, long-lasting investments goods for quite various fiels of application. The production time of such machines may amount to 18 months, from the time the order was accepted until the machine is delivered. We manufacture only a small volume of standard machines, however, we build almost exclusively highly customized special-purpose machines.

2. Objectives and Strategies

LDW is a niche market manufacturer for the facility construction and special-purpose machines. Technologically speaking LDW must act as the market leader in the relevant field for electrical machines. Our demanding customers are regularly reviewed as to satisfaction, and if necessary, internal processes are optimized accordingly. This is not only the case for new machines but also for repairs and service as well. Last year the business segment was expanded by the consulting and development services for third parties department. There are plans to reinforce the competence in the field of the entire drive engineering. Outside of Europe, the U.S., middle East, and Africa are the priority as to boosting sales.

3. Research and Development

The development department is the basis for all business branches. Its strength is often an important characteristic in the competition for orders.

A substantial part of projecting requires development services. That is increasingly vital for new developments paid for by third parties. LDW is only awarded such orders if it is able to provide evidence of surpassing competence for technologically new and demanding electrical machines. With respect to the joint manufacturing with the companies of the Indian shareholder, a new line of machines is developed in such manner so it can be manufactured entirely in India.

II. Economic Report

1. Macroeconomic and Industry Related Environment

LDW conducts business in the field of capital goods. The global uncertainty and economic crisis across Europe have led to customer reluctance. We can now feel the effects arising from the Eastern European conflicts as a result. Therefore, the growth in our industry has been rather slow in the last reporting period. Correspondingly, awarding of contracts was subject to great competition pressure. Even the niche market was marked by emergence of strong competitors who are usually rather active in the standard sector. The situation has not changed in comparison to the previous period.

2. Business Performance

The incoming orders amounted to € 38 m and were slightly lower than last year. During the fiscal period 2013/14, we additionally managed to procure a large order for the testing facility used for inspections of wind power plants. With the Dynamic Nacelle Testing Laboratory (DyNaLab), the drive engineering department of the Fraunhofer IWES begins to offer for the first time in Germany, as of 2014, a large- scale testing facility for whole nacelles. For this project, LDW supplies both drive engines. The DyNaLab provides all wind turbine manufacturers with a realistic testing environment in the multi Megawatt range, thus, facilitating meaningful lab tests for the evaluation and optimization of existent and future investment concepts. Such orders stand for LDW's upscale expertise with regard to developing innovative drive concepts.

The implementation of the new ERP Software SAP represents internally a large- scale project. This will help us to simplify our system environment and access our main data pool. Our operating processes will be geared to the SAP standard. The implementation in the area of personnel took place as of January 1, 2013. The migration of finance to SAP took place on April 1, 2013, other departments followed on October 1, 2013. The implementation of SAP resulted in difficulties, which have also interfered with the performance output. Despite the difficulties associated with the implementation, we are expecting savings in the future due to the improved internal processes and an improvement in our ability to compete.

In July 2013, the shareholder established a supervisory committee. It consists of a representative of the Indian shareholder and 2 members from Germany, who have great experience with the operations and in the field of Corporate Governance. This board has held its meeting regularly since July 2013.

3. Business Situation: Presentation, Analysis, Evaluation

a) Earning Power

Our earning power was characterized by a difficult environment and many internal improvement efforts. It is to mention the aforementioned implementation of SAP, the ongoing restructuring, and also the efforts which were expanded not to accept orders where the expectations with respect to positive return cannot be fulfilled. These projects were also subject to special focus by the recently established supervisory committee, in association with the new rules of operations.

Because of the weak fourth quarter, the incoming orders lagged slightly behind, below the last year's figures. Almost 80% originate from the new machines, approximately 20% from servicing. More than 75% of the revenue originates from the new machine business and approximately 20% from the servicing or replacement parts business. Henceforth, there was a slight increase in orders to € 38 m. This will secure revenues of € 39 m in 2014/15.

The following performance indicators will be used to control business internally (in €m):

	2013 / 2014	2012 / 2013
Incoming orders	38,0	41,0
Revenues	39,0	39,9
Service	35,0	38,8
Materials cost ratio	54	52
Loss for the period	-5,8	-6,4

The revenues account has decreased by € 0.9 m to € 39 m. As opposed to last year, the total performance lagged behind by € 3.8 m. In addition, the dampened economic environment during the fiscal year 2013/14 results in a lower volatility of prices for raw materials. The copper prices fell somewhat in comparison to the price last year. Also, the steel prices dropped, which can also be ascribed to a weak global demand.

As a result, the fluctuation in commodity prices had a slightly positive impact on the cost of materials (material cost ratio). An amendment agreement was signed with the IGM and the employee union council on October 1, 2013, resulting in a noticeable reduction of expenses. As a result, based also on the downsizing, the staffing costs decreased from € 15.6 m down to € 14.7 m, and will lead to additional reductions in years to come. The other operating expenses account decreased by 16% to € 6.7 m. The cost of restructuring, along with the implementation of SAP, has also had a negative impact. The shareholder has contributed last year € 6.9 m to the capital reserves account. Based on this it was possible to reduce the balance of the liabilities payable to shareholders account. Consequently, the interest expense was reduced by 24% to € 0.9 m. The overall earnings amounting to € -5.8 m are highly unsatisfactory. Therefore, further measures to reduce the cost during the new business year have been approved and are being implemented. The earnings in 2014/15 are supposed to improve by performance being increased by € 4 m, while further costs are reduced. However, it will continue to be negative.

b) Financial Situation

The capital structure has deteriorated. The lines of bank credits are further available. The credit conditions have somewhat improved.

LDW has already flattened the production years ago, to the greatest possible extent. The machinery park is kept small in size as a result, and there is no considerable need in this area for new investments. However, new tools (e.g., die cutters) must be acquired repeatedly. This occurs project-related, so it is possible to reuse them in other projects. Hence, the investments in the following year will continue to be made with great caution. In general, there is no need to acquire new facilities or machines for new products.

Despite the negative earnings, the cash flow from operating activities was positive (€+5.3 m). The focus on an effective asset management has reaped its positive effects. The change in cash and cash equivalents, as opposed to last year, is € -0.8 m.

Liabilities were settled by payment deadlines, and the receivables were generally received by the payment's term. There is enough space to work with as to the lines for advance payments and warranty guarantees.

c) Financial Position

Because of high advance payments receipts which, in the balance sheet, are offset against the inventories, and which were received on the low balances of unfinished products and trade receivables, the balance sheet total has decreased substantially to approximately € 22 m. Moreover, an improved asset management should be mentioned in this connection. The intangible assets have increased based on the implementation of SAP. The property, plant and equipment account balance is about the same as last year.

Thanks to the asset management improvement, it was possible to considerably reduce the inventories. The balance of the unfinished and finished products account has significantly decreased from € 10 m to € 6 m. Contrary to this development, the advances received increased to € 7 m. The net amount of inventories has been reduced with regard to the advances by approximately 46%. Necessary impairments have been executed.

The trade receivables account has decreased parallel to the revenues performance. The bank deposits mainly refer to deposits which are essential with respect to guaranteed lines of credit.

The increase in the bank borrowings account by € 1.3 m is a consequence of the emerging loss. In comparison to last year, trade payables decreased by € 1.2 m.

d) Overall Assessment

In spite of a distinctly reduced overall earnings, the business performance with respect to earnings was better than last year, albeit negative.

Implementation plans to reduce the cost while achieving a better quality of orders has been created and already realized to some great extent. Nevertheless, the impact will only become obvious during the new fiscal year. Further measures are in preparation.

III. Subsequent Report on Events

The shareholder has granted a loan of € 1 m at the end of May.

In addition, the indirect shareholder, the Kirloskar Electric Company Limitied (Kirloskar), India, issued a letter of comfort dated 18 June, 2014 to ensure the financial resources of Lloyd Dynamo Werke GmbH & KG, Bremen.

Not least the banking syndicate has confirmed with the date of 17 July 2014, to maintain existing funding lines within the contractually agreed scope until 07/31/2015.

There were no other transactions of special significance following the end of the fiscal year.

IV. Forecast Report.

Based on our current sales activities, an increase in revenues is expected during the new business year. New additional orders with relatively short run times are mainly expected in the service sector but also in the new machines sector.

In the next years we are expecting a slight decline in the business for direct current machines, increases in the business for three-phase machines and continuous expansion of the service sector. We are assuming that the improved environment within the Eurozone will result in greater market opportunities within our target sector. Our distribution initiative, new organization in the service sector and replacement parts business, as well as in the new business will make a material contribution to an inflow of orders, as to the quantity and especially the quality. Since nearly all projects will be processed in euros, no problems with the exchange rate are expected. Occasional foreign exchange transactions (USA) will be hedged against by corresponding contractual agreements (forward rate).

Following considerable start-up problems, a success was achieved in the last months, when parts which anyway were purchased externally, were purchased at significantly reduced prices through the companies of the Indian shareholder. The first parts have already been deployed. A material cost reduction was achieved in addition to the essential quality criteria. Now it is necessary to exploit systematically this avenue even further. A purchase volume exceeding € 1 m is expected during the 2014/15 fiscal year. In the following years, the mutual cooperation should clearly be expanded.

In summary we are expecting growing sales and improved income quality, along with a materials cost reduction in the next three years. While assuming a loss during the present fiscal year, we are again expecting positive earnings as of 2016/17 at the latest. The target objective is a 5% return on sales in three years of time.

V. Risks and Rewards Report

If the problems in financial markets, or if, for instance, the conflicts in Eastern Europe deepen, then, the essential investments will delay worldwide. This will result in a reduced order inflow for our main customers, facility manufacturers, and as a consequence for us, in less orders. This would have a negative impact on the economic situation and would require further cost reducing measures. The situation would yield revenues and earnings risks.

On the other hand, a strong boom could lead, for LDW, to speculative increases of commodity prices and also to increases in the cost of materials as a result. The switch to sourcing out of India could partially compensate the price risks. During the recovery periods, opportunities arise with respect to increasing sales prices. Another opportunity is perceived by an internal project to increase productivity with the help of an external expert. The business activity includes the development and production of special machines. So there might be an associated risk of not achieving fully the properties agreed upon or non-compliance with the calculated expenses. This type of risk was controlled well in the past by implementing a risk management, which actually starts before the offer is submitted. Another consequent application of various instruments out of this area (consideration of technical and imputed risks, identification of contractual risks) presents a premise on which the successful limitation and reduction of risks can take place.

In the case of material revenues, the products are covered by a credit insurance for goods. Risks arising from the development, production, and assembly are significantly reduced based on an insurance policy for assemblies and guarantees.

No dependence relationship is in place, just as little as dependence on a small number of suppliers. The supplying provision with raw materials caused no problems.

There were no environmental problems. The company is certified accordingly and expends regular efforts as it continues to minimize the emissions, which already are in any case quite minimal. About 2/3 of the customers are European residents. However, the operating site of our machines is outside Europe because many customers are also machine manufacturers. Immaterial foreign exchange transactions have been handled during the business year. The utilization of capacity continues to be unsatisfactory. A change in machine capacities is not yet planned. We are not expecting any significant changes as to the cost of materials.

VI. Risk Observation Regarding the Application of Financial Instruments

Receivables, payables, and bank deposits count among existing financial instruments within the company and are considered as material.

The company has an efficient dunning process in place; there were no material defaults during this business year.

In the long-term, the company is funded through bank loans in four commercial banks. These are long-standing relationships.

The objective of the company's financial and risk management is the protection against any type of risk. As to the finance management, the company is pursuing a conservative risk policy.

Interest rate and foreign exchange risks are hedged against to the extent they are considered essential.

An ongoing liquidity plan, which is permanently adjusted to current changes while serving as basis for cash disposal purposes, is prepared to protect the liquidity risk and maintain constant solvency at any time.

In fiscal year 2013/14 the Lloyd Dynamo Werke GmbH & Co. KG in financial terms was dependent on the shareholders and the financing banks. In the future, the continuation of the company will be dependent on the solvency of the shareholder and the support of the financing banks.

If default and solvency risks are identified for financial assets, corresponding impairments will be executed accordingly.

Bremen, July 4,2014

Dominik Brunner Pralhad P Katti Gerd Onken

Balance sheet at 31 March 2014

	31.03.2014 €	31.03.2013 €
Assets		
A. Fixed assets		
I. Intangible assets		
1. self-created industrial property rights and similar rights and values	120.018,00	382.549,00
2. Purchased licences and patents	1.568.315,44	541.297,00
3. Payments on account	0,00	194.535,01
	1.688.333,44	1.118.381,01
II. Tangible assets		
1. Land and buildings	1.634.729,01	1.673.438,44
2. Technical equipment and machinery	1.686.737,09	2.007.601,00
3. Other equipment, factory and office equipment	604.854,23	634.172,00
4. In construction	90.000,00	0,00
	4.016.320,33	4.315.211,44
III. Financial assets		
1. Participations	18.064,71	18.064,71
	18.064,71	18.064,71
	5.722.718,48	5.451.657,16
B. Current assets		
I. Inventories		
1. Raw materials, supplies and operating materials	3.843.684,29	3.141.334,51
2. Work in progress	5.623.861,85	8.026.322,00
3. Finished goods	228.289,30	1.972.651,00
4. Payments on account	317.435,82	98.229,70
5. Payments received on account	-5.852.151,15	-5.557.937,30
	4.161.120,11	7.680.599,91
II. Receivables and other assets		
1. Trade receivables	5.849.696,54	7.023.615,45
2. Receivables from affiliated companies	239.143,00	1.489.123,00
3. Receivables from affiliated companies and from companies in which participations	6.617,00	0,00
4. Other assets	521.862,07	259.553,25
	6.617.318,61	8.772.291,70
III. Cash and equivalents	2.569.271,31	2.067.637,63
	13.347.710,03	18.520.529,24
C. Prepaid expenses	294.159,43	259.511,81
D. Deferred taxes	2.646.696,02	2.481.706,50
E. shares in losses not covered by capital contributions	262.775,37	0,00
	22.274.059,33	26.713.404,71

Equity and Liabilities

	31.03.2014	31.03.2013
	€	€
A. Equity		
I. Limited liability capital	3.330.000,00	3.330.000,00
II. Reserves	9.260.317,68	9.260.317,68
III. Cumulated losses brought forward by limited partners	-7.009.997,53	-550.127,61
IV. Loss for the period	-5.843.095,52	-6.459.869,92
V. shares in losses not covered by capital contributions	262.775,37	0,00
	0,00	5.580.320,15
B. Provisions		
1. Other provisions	3.637.718,63	4.425.575,99
	3.637.718,63	4.425.575,99
C. Liabilities		
1. Shareholder accounts	767.831,41	288.504,34
2. Bank loans and overdrafts	11.681.902,22	10.404.077,43
3. Advance payments received for projects	832.474,63	0,00
4. Trade liabilities	4.544.771,60	5.744.050,11
5. Payables to affiliated companies	606.013,52	42.669,00
6. Liabilities to general partner	0,00	2.343,55
7. Other liabilities (thereof taxes: € 152.897,59 (31.3.2013: € 174.830,92) and social security: € 13.247,24 (31.3.2013: € 6.998,47)	203.347,32	225.864,14
	18.636.340,70	16.707.508,57
	22.274.059,33	26.713.404,71

Profit and loss account for the period 1 April 2013 to 31 March 2014

	2013 / 2014	2012 / 2013
	€	€
1. Sales proceeds	39.040.726,60	39.956.867,15
2. Increase or decrease in the inventory of finished products and work in progress	-4.146.821,85	-1.226.568,00
	34.893.904,75	38.730.299,15
3. Other capitalized work	109.200,00	83.150,00
4. Other operating income	1.469.992,38	606.430,82
5. Cost of materials		
a) Cost of raw materials, consumables and goods for resale	15.535.226,31	16.817.105,63
b) Cost of purchased services	3.485.658,09	3.355.746,85
6. Personnel expenses	12.219.512,97	13.031.277,40
a) Wages and salaries		
b) Social security	2.476.945,69	2.542.345,28
7. Depreciation of fixed intangible and tangible assets	1.076.441,19	982.610,75
8. Other operating expenses	6.670.780,51	7.978.726,66
9. Other interests receivables and similar income	2.700,01	30.787,93
10. Interests and similar expenses (thereof shareholders: € 8.066,00; prior year: T€ 308)	947.932,40	1.246.624,09
11. Ordinary operating results	-5.936.700,02	-6.503.768,76
12. Income taxes	-164.989,52	111.259,64
13. Other taxes	71.385,02	67.360,80
14. Loss for the period	-5.843.095,52	-6.459.869,92

FINANCIAL STATEMENTS

1. General Information

These annual financial statements were prepared in compliance with Section 264a par. 1 HGB under the application of significant accounting and valuation policies as stated by the German Commercial Code.

In the context of Section 267 par. 3 HGB, Lloyd Dynamowerke GmbH & Co. KG represents a large-sized capital corporation.

The statement of income was prepared using the nature-of-expense method in accordance with Section 275 par. 2 HGB.

2. Significant Accounting and Valuation Policies

Intangible assets are recognized at cost and reduced by the scheduled straight-line depreciation amount. They primarily include software and licenses, with useful lives being recognized between 3 to 5 years.

The **property, plant and equipment** account items are generally recognized at cost; if subject to wear and tear they are reduced by the straight-line depreciation amount. The historical cost of self-constructed assets includes expenses which must be capitalized in accordance with HGB. In addition to direct costs, the historical cost of the self-constructed property, plant and equipment items includes pertinent parts of the essential material and indirect production costs. Buildings are depreciated over a period of 25 years. Useful life for other property, plant and equipment items is assumed between three and thirteen years. Assets with a net-of-tax purchase price from € 150.00 to € 1,000.00 were aggregated into pools, which are depreciated on a straight-line basis over a period of 5 years.

Financial assets are recognized at acquisition cost.

The raw materials and supplies included in the **inventories** account are measured at average acquisition cost or are recognized at the lower market value (the last purchase price). Impairments are executed for inventory risks arising from storage periods and reduced usability. Unfinished products and services are measured at their production cost or the lower fair value. The production costs contain all directly attributable expenses. The production costs include production materials and production wages, as well as materials expense and manufacturing and administration expenses. Anticipated losses are considered under the objective of achieving a loss-free recognition through value discounts or by making provisions for impending losses.

A fixed value amounting to € 69 k has been recognized for used machines and screws for the 2014 reporting period in accordance with Section 256 cl. 2 HGB.

The **trade receivables** are recognized at nominal value. Identifiable risks are considered through itemized valuation allowance accounts. The general credit risk is accounted for using a lump-sum valuation allowance.

Other assets were recognized at nominal values. The **liquid funds** are recognized at nominal values.

The **deferred charges** account includes capitalized expenses, which represent the expenses to be paid for a specific time period during the subsequent year.

The company has made use of its election right to capitalize **deferred taxes**. In the process, mainly the balance sheet items out of the supplementary balance sheet and a tax loss carry-forward were recognized. The recoverability was supported by a tax budget plan. The calculation is based on a business tax charge rate of 16.1%. The full amount of deferred tax assets is restrained from distribution.

Assets denoted in **foreign exchange** are on the balance sheet date recognized at the hedged rate.

Other provisions account for all identifiable risks and contingent liabilities. In each case, the valuation is performed at settlement value which, according to prudent professional judgment, is essential to cover future financial obligations. Future price and cost increases are considered to the extent there is objective evidence for their occurrence. The obligations from the semi-retirement arrangement are discounted in accordance with Section 253 par. 2 cl. 2 German Commercial Code at an average market interest rate of 4.83%. A lump- sum warranty provision is set up with respect to the revenue subject to warranties. Services are subject to the rate of 1.0%, new production to 1.5%.

Liabilities are recognized at the settlement value.

3. Notes to the Balance Sheet

a) Non-Current Assets

The development of non-current assets is evident from the schedule of changes in non-current assets, which is attached to the notes.

The investment in the Electrical Machines Industries (Bahrain) W.L.L. pertains to a joint venture founded in 1997. The share interest claimed by Lloyd Dynamowerke GmbH & Co. KG in the share capital (BHD 54,000) of that company is 33.33%. For the 2013/2014 business year, the company discloses a net income of BHD 7,495. The shareholders' equity as at March 31, 2014 amounted to BHD 152,820.

b) Receivables and Other Assets

The receivables due by affiliated companies pertain to trade receivables. The receivables due by shareholders refer to shareholder settlement accounts.

All receivables are due within one year.

c) Deferred Tax Assets

The deferred tax assets arise from the following differences between the value recognized in terms of the German Commercial Code and the one for tax purposes, as well as the one from tax loss carry forwards:

Supplementary tax balance sheet of the limited partner	9,394,714.98
Business tax loss carry forward	6,642,600.00
Provisions for impending losses	522,711.29
Self-constructed intangible assets	-120,018.00
Semi-retirement provision	3,404.43
Provision for retention of business records	-4,307.00
	16,439,105.70
plus a tax rate of 16.1% = deferred tax assets	2,646,696.02

The deferred tax assets amount is restrained from distribution.

d) Shareholders' Equity

The limited liability capital amounts to € 3,330,000.00. The capital was fully contributed as at the balance sheet date.

The personally liable shareholder, the Lloyd Beteiligungs-GmbH, Bremen, holds no shares in the company. The share capital of the company amounts to € 25,000.00.

The personally liable shareholder receives an annual compensation of 6.0% on the disclosed shareholders' equity for the assumption of liability and a return of 5.0% on the settlement account.

e) Other Provisions

The other provisions account also includes provisions for warranties and risks for contractual penalties (a total of € 867 k), outstanding vacation pay and overtime (a total of € 496 k), outstanding invoices (a total of € 570 k), semi-retirement pay (a total of € 462 k), and commissions amounting to € 335 k.

f) Liabilities

The maturities of liabilities and the respective hedging may be inferred from the schedule of liabilities attached to these notes.

The liabilities payable to affiliated companies account refers to trade payables. The liabilities payable to shareholders account pertains to a loan, payable to the shareholder Kirsons B.V., and to the shareholders' settlement accounts.

4. Notes to the Statement of Income

a) Revenues

Revenues are separated based on regional aspects and business sector as follows:

Revenues by region	3/31/2014 €k	3/31/2013 €k
Domestic	18,107	21,716
Abroad	20,933	18,240
thereof, within the European Union	*7,398*	*5,607*
	39,041	39,957

Revenues by business sector	3/31/2014 €k	3/31/2013 €k
Machines	30,724	29,944
Services	6,069	7,422
Replacement parts	2,177	2,521
Other income	248	211
Income deductions	-177	-141
	39,041	39,957

b) Other Operating Income

The other operating income account mainly includes irregular income from the reversal of provisions (€ 227 k) and an insurance compensation from the previous period (€ 104 k). In addition, the disclosure includes the change in the provisions for impending losses from customer orders (€ 816 k).

c) Cost of Raw Materials and Supplies

Apart from the previous period, the energy costs amounting to € 825 k (last year: € 901 k) are disclosed in the cost of raw materials and supplies account as purchased services and not as part of the other operating expenses account.

d) Other Operating Expenses

Other operating expenses include € 7 k (last year: € 12 k) in foreign exchange losses. There were no material irregular expenses.

Further, the disclosure includes personnel layoff expenses (€ 193 k).

e) Interest and Similar Expenses

The interest and similar expenses account also includes, in addition to loan interest and interest on short term liabilities (€ 649 k) and guarantee commissions (€ 194 k), € 20 k in interest from compounding of long term provisions.

f) Income Taxes

The income taxes account discloses the changes in deferred tax assets.

5. Other Information

a) Contingent Liabilities and Other Financial Obligations

On the balance sheet date, pending payment obligations amount to € 1,545 k (last year: € 1,484 k). These were accrued from rental, leasing, and service contracts. The underlying contractual terms run up to 69 months.

b) Derivative Financial Instruments

On the balance sheet date, hedging of future cash flows in foreign exchange and hedging of interest rate changes from a variable interest rate loan is in place in accordance Section 285 cl. 19 HGB. The contracts referring to the acquisition of foreign exchange are measured individually on the basis of exchange rate while the actual market forward rate available on the balance sheet date is compared to the negotiated forward rate or the contractual rate. The market forward rates are determined by the spot exchange rates while forward premiums/discounts are taken into account. On the balance sheet date, the nominal and market values of these contracts amount to the following values:

	Nominal value as at 3/31/2014	Market value as at 3/31/2014
	€k	€k
Forward deals with a positive market value	301	2
Interest rate swap with a negative market value	1,000,000	– 46

Based on the negative market value of the existent interest rate swaps, a corresponding provision for impending losses has been considered at the balance sheet date.

c) Research and Development Expenses

Research and development expenses in the previous period totalled € 245 k. No capitalization of self- constructed intangible assets took place during the reporting year. The entire balance of the self-constructed intangible assets is restrained from distribution.

d) Employees

The annual average number of employees during the fiscal period 2013/2014 is as follows:

	2013/2014	2012/2013
Salary employees	132	140
thereof, trainees	*10*	*10*
Wage employees	131	140
thereof, trainees	*7*	*3*
Total employees	263	280

e) Business Relationships

No non arm's length transactions with related parties have been conducted in accordance with Section 285 cl. 21 HGB during the 2013/2014 business year.

The company is included in the consolidated financial statements of the Kirloskar Electric Company Ltd., Bangalore (the top tier consolidation scope), prepared in compliance with the Indian GAAP. The balance sheet date for the consolidated financial statements is also March 31. The consolidated financial statements will be submitted to the Business Register of Karnataka, under the registration #: L85110KA1946PLC000415.

Lloyd Beteiligungs-GmbH, Bremen, together with its subscribed capital amounting to € 25,000.00 is the unlimited liable shareholder.

f) Fees

	€k
Audit services	40
Other confirmation services	44
Tax advisory services	1
Other services	76

g) General Management and Supervisory Board

The general management of Lloyd Beteiligungs-GmbH, the personally liable shareholder, consisted during the reporting period of the following persons:

– Dipl.-Ing. Dominik Brunner (Chairman, since January 2, 2014)
– Dipl.-Ing. Matthias Dankwardt (until 30. July 2014)
– Dipl.-Ing. Berthold Groeneveld (until June 5, 2013)

- Pralhad P Katti (since 1. July 2014)
- Thomas Nösekabel (from December 18, 2013 until February 7, 2014)
- Gerd Onken (since 1. July 2014)

The company makes use of the escape clause in Section 286 par. 4 of German Commercial Code.

Members of the Supervisory Board:

- Vijay R. Kirloskar (Chairman; since July 12, 2013), Chairman and Managing Director of Kirloskar Electric Company Ltd., Bangalore
- Manfred Egelwisse (Vice Chairman; since July 12, 2013), former member of the Board of Directors of Flender AG, Bocholt
- Dr. Cletus von Pichler (since July 12, 2013), former member of Board of Directors of Jungheinrich AG, Hamburg

During the previous business year, the supervisory board was granted a total remuneration of € 87 k for the services performed, in accordance with Section 285 cl. 9a HGB.

Bremen, July 4,2014

Lloyd Dynamowerke GmbH & Co. KG

Lloyd Beteiligungs - GmbH
represented by

Dominik Brunner Pralhad P Katti Gerd Onken

Development of fixed assets

	Historical Cost					Depreciation				Book Value	
	01.04.2013	Additions	Disposals	Reposting	31.03.2014	01.04.2013	Additions	Disposals	31.03.2014	31.03.2014	31.03.2013
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
1. Self created industrial property rights and similar rights and values	417.325,00	0,00	211.581,23	0,00	205.743,77	34.776,00	121.476,57	70.526,80	85.725,77	120.018,00	382.549,00
2. Purchased licences and patents	1.646.700,78	1.144.137,24	0,00	194.535,01	2.985.373,03	1.105.403,78	311.653,81	0,00	1.417.057,59	1.568.315,44	541.297,00
3. Payments on account	194.535,01	0,00	0,00	-194.535,01	0,00	0,00	0,00	0,00	0,00	0,00	194.535,01
	2.258.560,79	1.144.137,24	211.581,23	0,00	3.191.116,80	1.140.179,78	433.130,38	70.526,80	1.502.783,36	1.688.333,44	1.118.381,01
II. Tangible assets											
1. Land, similar rights and buildings including buildings on leasehold land	2.250.190,51	0,00	0,00	0,00	2.250.190,51	576.752,07	38.709,43	0,00	615.461,50	1.634.729,01	1.673.438,44
2. Technical equipment and machinery	6.887.169,05	126.600,40	36.200,00	0,00	6.977.569,45	4.879.568,05	434.456,01	23.191,70	5.290.832,36	1.686.737,09	2.007.601,00
3. Other equipment, factory and office equipment	2.468.452,35	172.621,83	38.799,73	0,00	2.602.274,45	1.834.280,35	170.145,37	7.005,50	1.997.420,2260	604.854,23	634.172,00
4. Plant under construction	0,00	90.000,00	0,00	0,00	90.000,00	0,00	0,00	0,00	0,00	90.000,00	0,00
	11.605.811,91	389.222,23	74.999,73	0,00	11.920.034,41	7.290.600,47	643.310,81	30.197,20	7.903.714,08	4.016.320,33	4.315.211,44
III. Financial assets											
Participating interests	18.064,71	0,00	0,00	0,00	18.064,71	0,00	0,00	0,00	0,00	18.064,71	18.064,71
	13.882.437,41	**1.533.359,47**	**286.580,96**	**0,00**	**15.129.215,92**	**8.430.780,25**	**1.076.441,19**	**100.724,00**	**9.406.497,44**	**5.722.718,48**	**5.451.657,16**

Schedule of liabilities of 31 March 2014

	amount falling					
	Total amount 31.3. 2014	due within one year	between one to five years	due after more than five years	secured amounts	Type of security
	EUR (TEUR prior year)	EUR (TEUR prior year)	EUR (TEUR prior year)	EUR (TEUR prior year)	EUR (TEUR prior year)	
Accounts payable						
against shareholders	767.831 (289)	767.831 (289)	0 (0)	0 (0)	0 (0)	
to credit institutions	11.681.902 (10.404)	9.031.902 (9.904)	2.650.000 (400)	0 (100)	11.681.902 (10.404)	– land charge in the amount of nominal TEUR 4.838 – Blanket assignment of the accounts receivable-trade – Security agreement – Assisgnment claim commodity credit – Chattel mortgage of goods – export security classificaiton agreements
from deposits received	6.684.626 (5.558)	6.684.626 (5.558)	0 (0)	0 (0)	0 (0)	
trade	4.544.772 (5.744)	4.544.772 (5.744)	0 (0)	0 (0)	0 (0)	
to affiliated companies	606.014 (43)	606.014 (43)	0 (0)	0 (0)	0 (0)	
to general partner	0 (2)	0 (2)	0 (0)	0 (0)	0 (0)	
other	203.347 (226)	203.347 (226)	0 (0)	0 (0)	0 (0)	
	24.488.492 (22.266)	21.838.492 (21.766)	2.650.000 (400)	0 (100)	11.681.902 (10.404)	

Explanation of the positions on the annual financial statements as at 31st March 2014

I. Balance sheet
Assets

A. Fixed assets
The developments of individual positions of fixed assets on the balance sheet, which are included in annex 3 of this report are presented on the basis of total historical costs. The asset analysis in accordance with § 268 Art. 2 HGB is part of the notes.

In addition to the information in the notes we give the following explanation:

I. Intangible assets

1. Own created licenses		€	120.018,00
	31st March 2013	€	382.549,00

For the account development costs from the financial year 2012/2013 are reported which are amortized over a planned useful life of three years.

2. Accrued licenses against payment		€	1.568.315,44
	31st March 2013	€	541.297,00

Computing software licenses and patents are accounted for.\
The carrying amounts have developed as follows:

	€
As at 31st March 2013	541.297,00
Additions	1.144.137,24
Disposals	194.535,01
Depreciation	-311.653,81
As at 31st March 2014	1.568.315,44

Additions and depreciation relate to the ERP Software SAP, which was completely implemented in this financial year.

3. Prepayments		€	0,00
	Vorjahr	€	194.535,01

Given prepayments concern the acquisition of an ERP software (SAP)

II. Tangible assets

1. Land and buildings		€	1.634.729,01
	31st March 2013	€	1.673.438,44

The information shown concerns the industrial premises including all buildings located in Bremen, Hastedt. The premises has a size of 3,3 hectares with a frontage of ca. 238 m.

The carrying amounts have developed as follows:

	€
As at 31st March 2013	1.673.438,44
Depreciation	-38.709,43
As at 31st March 2014	1.634.729,01

The carrying amounts apply to the mere land share in the sum of € 682.410,43.

2. Technical equipment and machinery		€	1.686.737,09
	31st March 2013	€	2.007.601,00

	€
As at 31st March 2013	2.007.601,00
Additions	126.600,40
Disposals	-13.008,30
Depreciation	-434.456,01
As at 31st March 2014	1.686.737,09

A main addition has been a transportable machining unit.

3. Other equipment, factory and office equipment € 604.854,23

31st March 2013 € 634.172,00

As at 31st March 2013	634.172,00
Additions	172.621,83
Disposals	-31.794,23
Depreciation	-170.145,37
As at 31st March 2014	604.854,23

The additions mainly contain tools and a server system. T€ 29 apply to low value assets with a maximum value of € 1.000. These assets are depreciated straight line over five years.

4. Under Construction € 90.000,00

31st March 2013 € 0,00

Under construction contains a test machine from the testing facility.
It will be approximately finished in 2014.

III. Financial assets

Participating interests € 18.064,71

31st March 2013 € 18.064,71

This position accounts for the 33,33% shareholding in the equity of Electrical Machine Industries, Bahrain. Sales with this firm only account for a minor degree of the company sales.

B. Current Assets

I. Inventories € 4.161.120,11

31st March 2013 € 7.680.599,91

	31st March 2014	31st March 2013
	€	€
1. Raw materials	3.843.684,29	3.141.334,51
2. Work in progress	5.623.861,85	8.026.322,00
3. Finished goods	228.289,30	1.972.651,00
4. Payments on account	317.435,82	98.229,70
5. Payments received on account	-5.852.151,15	-5.557.937,30
	4.161.120,11	7.680.599,91

To 1: Raw materials are administrated in form of a computer aided inventory accounting system and a framework of permanent inventory is applied.

To 2 and 3: Work in progress and finished goods concerns a large amount of unfinished orders. The valuation is based on cost prices less distribution costs and represents the maximum of the commercial accounting method.

To 4: This concerns conduced payments in advance to different suppliers.

To 5: The payments received on account were offset by the according stocks of the orders. The surplus amount is shown on the passive side under liabilities.

II. Receivables and other assets

1. Trade receivables € 5.849.696,54

31st March 2013 € 7.023.615,45

	31st March 2014	31st March 2013
	€	€
Gross receivables	6.105.787,03	7.244.006,17
Provision for specific doubtful debts	192.148,72	154.968,72
General provision for doubtful debts	63.941,77	65.422,00
	5.849.696,54	7.023.615,45

The receivables are principally accounted for with their fair value. Risks have been accounted for by the creation of provision for specific doubtful debts or general provision for doubtful debts. The provision for specific doubtful debts due to expected non recoverability has been created solely from sales tax corrections.

As in the previous year, a general provision for doubtful debts in the amount of 1% of accounts receivables has been created due to a general credit risk.

2. Receivables from affiliated companies € 239.143,00

31st March 2013 € 1.489.123,00

	31st March 2014 €	31st March 2013 €
Kirloskar Indien	219.123,00	1.489.123,00
Kirloskar Malaysia	20.020,00	0,00
	239.143,00	1.489.123,00

Receivables are resulting from trades.

3. Receivables from companies in which participations are held € 6.617,00

31st March 2013 € 0,00

In addition to a company clearing account € 100,00 will be reported against the general partner Lloyd Beteiligungs GmbH, Bremen.

4. Other assets € 521.862,07

31st March 2013 € 259.553,25

	31st March 2014 €	31st March 2013 €
Tax on input	432.588,19	200.000,00
Suppliers with debit balances	60.180,82	21.891,00
Minus hours of working time accounts	18.853,06	13.541,47
Advances for travel expenses	4.860,00	11.160,00
Claim against insurance premium	0,00	2.604,24
Receivables tax office concerning trade tax	0,00	57,10
Others	5.380,00	10.299,44
	521.862,07	259.553,25

The minus hours of working time accounts were last year reported in the expenses incurred. (€ 60.900,00)

III. Cash and equivalents € 2.569.271,31

31st March 2013 € 2.067.637,63

	31st March 2014 €	31st March 2013 €
Time deposits	2.549.527,91	2.039.561,19
Current account surplus	19.743,40	28.076,44
	2.569.271,31	2.067.637,63

The time deposits apply to guaranty truster.

C. Prepaid expenses € 294.159,43

31st March 2013 € 259.511,81

The information shown mainly concerns delimited rent, leasing, maintenance and insurance expenses.

D. Deferred taxes € 2.646.969,02

31st March 2013 € 2.481.706,50

The composition of the deferred taxes is shown in the notes.

E. Deficit not covered by equity € 262.775,37

31st March 2013 € 0,00

Liabilities

A. Equity

I. Limited liability capital	€	3.330.000,00
	31st March 2013 €	3.330.000,00

The obligatory deposit consists of:

	31st March 2014	31st March 2013
	€	€
Kirsons B.V., Netherlands	3.160.000,00	3.160.000,00
Herr Dipl.-Ing. Berthold Groeneveld	170.000,00	170.000,00
	3.330.000,00	3.330.000,00

II. Capital reserves	€	9.260.317,68
	31st March 2013 €	9.260.317,68
III. Cumulated losses	€	7.009.997,53
brought forward by limited partners	31st March 2013 €	550.127,61
IV. Loss for the period	€	-5.843.095,52
	31st March 2013 €	-6,459,869,92
V. Deficit not covered by equity	€	262.775,37
	31st March 2013 €	0,00

B. Provisions

Other Provisions	€	3.637.718,63
	31st March 2013 €	4.425.575,99

Provisions for:	31st March 2013	Utilisation	Dissolution	Allocation	31st March 2014
	€	€	€	€	€
Outstanding invoices	396.059,30	396.059,30	0,00	673.290,29	673.290,29
Warranties	598.500,00	232.408,30	55.500,00	280.500,00	591.091,70
Partial retirement	377.046,81	81.756,64	11.209,87	177.774,77	461.855,07
Vacation	858.031,00	858.031,00	0,00	343.899,69	343.899,69
Commissions	132.097,83	62.981,88	57.315,38	323.221,85	335.022,42
Contractual penalty	140.000,00	15.770,00	12.260,00	147.201,90	259.171,90
Contingent losses from customer contracts	1.042.522,00	816.114,37	0,00	0,00	226.407,63
Insurance association	291.284,42	216.284,42	75.000,00	198.627,00	198.627,00
Compensation	226.500,00	226.500,00	0,00	192.650,00	192.650,00
Flex-time account and overtime	198.183,00	198.183,00	0,00	152.436,49	152.436,49
Storage of business records	49.884,86	0,00	0,00	0,00	49.884,86
Audit fees	46.496,25	46.496,25	0,00	22.500,00	22.500,00
Other	68.970,52	11.157,00	15.689,50	88.757,56	130.881,58
	4.425.575,99	3.161.742,16	226.974,75	2.600.859,55	3.637.718,63

Provisions for contingent losses account for current orders which are expected to be completed with a deficit. Provisions for vacation contain leave days as well as holiday pay. Partial retirements concern ten employees. The contractual penalty is for payments due to late distribution of the orders. The item “Flex-time account and overtime” mainly contains excess work time of the employees at balance sheet date. The provision for commissions includes only provisions for orders received.

C Liabilities

1.	Shareholder accounts	€	767.831,41
		31. March 2013 €	288.504,34

The development can be seen in annex 7.

2.	Bank loans and overdrafts	€	11.681.902,22
		31. March 2013 €	10.404.077,43

Overdraft facility	31. March 2014 €	31. March 2013 €
Bremer Landesbank	3.309.826,70	3.933.811,35
Deutsche Bank AG	2.170.213,47	2.861.483,17
Commerzbank	701.862,05	967.557,23
	6.181.902,22	7.762.851,75
Loans and short term money market loans		
Deutsche Bank AG	2.250.000,00	1.000.000,00
Commerzbank	1.500.000,00	1.000.000,00
Bremer Landesbank	1.000.000,00	600.000,00
Bremer Aufbaubank	750.000,00	0,00
	5.500.000,00	2.600.000,00
Accrued interest	0,00	41.225,68
	11.681.902,22	10.404.077,43

Regarding the valuation at the balance sheet date, balance confirmations received from banks were available. Details about remaining life and collaterals can be found in the notes.

3.	**Trade liabilities**	€	4.544.771,60
		31st March 2013 €	5.744.050,11
4.	**Payables to affiliated companies**	€	606.013,52
		31st March 2013 €	42.669,00

The liabilities only concern Kirloskar Indien.

5.	**Liabilities to general partner**	€	0,00
		31st March 2013 €	2.343,55
6.	**Other liabilities**	€	203.347,32
		31st March 2013 €	225.864,14

Liabilities from taxes	31st March 2014 €	31st March 2013 €
Income and church tax	152.897,59	174.830,92
	152.897,59	174.830,92
Liabilities social security	13.247,24	6.998,47
Other		
Debtors on the credits side	27.766,01	32.820,25
Supplier incentives	9.356,60	7.100,00
Wages and salaries	0,00	0,00
Other	79,88	4.114,50
	37.202,49	44.034,75
	203.347,32	225.864,14

	1.4. 2013 to 31.3.2014	1.4.2012 to 31.3.2013
	€	€
1. Sales	39.040.726,60	39.956.867,15
Sales Inland	18.107.248,29	21.488.067,99
Sales Abroad	20.933.478,31	18.468.799,16
2. Changes in wip	-4.146.821,85	- 1.226.568,00
3. Capitalised own services	109.200,00	83.150,00
4. Cost of materials	- 19.020.884,40	- 20.172.852,48
Cost of materials consumed	- 15.535.226,31	- 16.817.105,63
Purchased services	- 3.485.658,09	- 3.355.746,85
5. Personnel expenses	- 14.696.458,66	- 15.573.622,68
6. Other Expenses	- 6.670.780,51	- 7.978.726,66
External work, otherwise. service	- 58.996,85	- 48.438,35
Other personnel costs	- 9.625,72	- 11.340,65
Travel expenses and advert.costs	- 462.857,61	- 683.488,03
Development costs	- 98.354,23	- 98.421,26
Repairs and maintenance	- 460.910,35	- 327.556,76
Energy costs	0,00	- 900.636,16
Office expenses,advertising, EDP	- 454.147,49	- 417.561,28
Transport costs	- 519.149,50	- 601.566,95
Consulting fees, contributions	- 1.519.783,78	- 1.074.568,97
Rent and leasing	- 294.589,15	- 274.859,18
Insurance	- 421.808,88	- 412.947,94
Commissions	- 1.030.639,00	- 761.126,17
Guarantee	- 225.148,48	- 29.353,41
Penalty	- 150.090,90	- 88.175,00
Non-period expenses	- 196.978,42	- 3.387,87
Other operating costs	- 767.700,15	- 2.245.298,68
7. Other operating income	1.469.992,38	606.430,82
8. Depreciation	- 1.076.441,19	- 982.610,75
9. Interest income	2.700,01	30.787,93
10. Interest expenses	- 947.932,40	- 1.246.624,09
11. Income tax	164.989,52	111.259,64
12. Other tax	- 71.385,02	- 67.360,80
Loss for the Period	- 5.843.095,52	- 6.459.869,92

Legal and Economic Background, Tax Situation

Company name	Lloyd Dynamowerke GmbH & Co. KG
Registered office	Bremen
Commercial register	HRA 22689 at Bremen District Court, last extract of 2 May 2014
Object of the company	Object of the company is the development, the production and the purchase of electric and electronic machinery and appliances of every description.
Partnership agreement	As amended on 2 July 2013
Shareholders and share capital	The general partner is the Lloyd Beteiligungs-GmbH. The general partner does not make contribution and is not owned to share capital as well as to profit and loss of the company. Limited partners are the Kirsons B.V., Amsterdam, with a liability contribution of € 3.160.000,00 as well as Mr. Berthold Groeneveld of € 170.000.
Managing director	The managing directors of the Lloyd Beteiligungs-GmbH are – Dominik Brunner, Bremen (since 2. January 2014) – Pralhad P Katti, Bangalore/India (since 1. July 2014) – Gerd Onken, Oldenburg (since 1. July 2014) – Matthias Dankwardt, Bremen (till 30. July 2014) – Berthold Groeneveld, Weyhe (till 5. June 2013) – Thomas Nösekabel (from 18. December 2013 till 7. February 2014)
Shareholders' resolution	Decisions of the meeting from 12. July 2013: – Amendment of the partnership agreement – Set up a supervisory board, Elections for the supervisory board, decree of internal rules of procedure for the supervisory board - Decree of internal rules of procedure for the managing board - Adoption of financial statements as of 31 March 2013 - Election of PricewaterhouseCoopers AG to auditor for the financial year 2013/14
Advisory board	Due to § 9 of the partnership agreement the company can resolve to convene an advisory board. It is named as supervisory board. The members of the advisory board are mentioned in the attachment (Attachment II).
Financial year	1. April - 31 March
Size range due to § 267 HGB	Due to § 267 HGB it bargains for a large company.
Tax situation	The company is listed with the taxpayer identification: DE219058130 at the local tax office Bremen.
	The tax returns are filed for the assessment and accordingly collection period 2011/ 2012. The assessment is endured yet.

Loan contracts	The LDW keeps the following loan agreements: – Commerzbank: € 4.500.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit is limited till 31. July 2015. – Commerzbank: Bridging credit € 500.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit has to be returned till 31. July 2015. – Bremer Landesbank: € 4.000.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit is limited till 31. July 2015. – Bremer Landesbank: Bridging credit € 500.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit has to be returned till 31. July 2015. – Bremer Landesbank: € 500.000. quarterly redemption of € 25.000. – Bremer Aufbaubank: Bridging credit € 750.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit has to be returned till 31. July 2015. – Deutsche Bank: € 2.000.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit is limited till 31. July 2015. – Deutsche Bank: Bridging credit € 500.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit has to be returned till 31. July 2015. – Deutsche Bank: Bridging credit € 750.000. Due to the loan agreement the capital ratio has to amount at least 40 % during the term. If this quota has not been reached to the point of signing the contract, the company has to retain forth with earnings to taxes. This credit has to be returned till 31. July 2015.

Shareholder accounts

from 1st April 2013 to 31st March 2014

	Limited liability capital			Liabilities to shareholders		
	Kirsons B.V.	Hr. Groeneveld	Total	Kirsons B.V.	Hr. Groeneveld	Total
	€	€	€	€	€	€
1.4.2013	+ 3.160.000,00	+ 170.000,00	+ 3.330.000,00	+ 0,00	+ 0,00	+ 0,00
Interest shareholders loan	+ 0,00	+ 0,00	+ 0,00	+ 8.066,00	+ 0,00	+ 8.066,00
Contribution shareholder loan				+ 320.000,00	+ 0,00	+ 320.000,00
Loan as at 31.3.2014	+3.160.000,00	+170.000,00	+3.330.000,00	+ 328.066,00	+ 0,00	+ 328.066,00
Shareholder clearing accounts 1.4.2013				+ 288.504,34	- 2.896,77	+ 285.607,57
Allowable taxes				- 724,94	- 39,00	- 763,94
Allowable other foreign taxes				- 66.568,77	- 3.581,23	- 70.150,00
Other allowable / contribution				+ 218.554,78	+ 0,00	+ 218.554,78
Shareholder clearing accounts 31.3.2014	+ 0,00	+ 0,00	+ 0,00	+ 439.765,41	- 6.517,00	+ 433.248,41
Total Shareholder accounts				767.831,41	- 6.517,00	761.314,41

LLOYD BETEILIGUNGS-GmbH

BREMEN, GERMANY

Audit of the Annual Financial Statements for the
Period Ending March 31, 2014

A. Audit Engagement and Confirmation of Independence

I. Audit Engagement

1. Following our election as auditors at the shareholders' meeting held on 12. July 2013, the management of Lloyd Beteiligungs-GmbH, Bremen, (hereinafter referred to as "Lloyd GmbH" or "the Company") engaged us to audit the annual financial statements of the Company for the financial year from 1. April 2013 through 31. March 2014 including the bookkeeping system in accordance with Section 316 et seqq. HGB.

2. Lloyd GmbH is a **micro entity** within the meaning of Section 267a (1) HGB. The audit, which is not legally required, was conducted on the basis of the Shareholder Agreement of 12. July 2013 pursuant to the provisions of Section 316 et seqq. HGB.

3. The Company is required under Section 325 HGB in conjunction with Section 326 HGB to electronically submit the balance sheet and the notes to the financial statements with the operator of the Federal Gazette and to publish them in the Federal Gazette or, as a micro-entity (Section 267a HGB), can also fulfill its disclosure obligation pursuant to Section 325 HGB in conjunction with Section 326 (2) HGB by submitting the balance sheet in electronic form with the operator of the Federal Gazette for filing on a permanent basis and commissioning the latter to file that balance sheet. If the filing option is selected, the operator of the Federal Gazette must be notified that the requirements for a micro-entity (pursuant to Section 267a (1) HGB) are satisfied.

4. The Company did not prepare a management report because this is not legally required.

5. The Company applied the relief provision pursuant to Section 264 (1) Clause 5 HGB and admissibly prepared no notes to the financial statements.

6. This engagement and our liability, also in relation to third parties, are governed by the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" dated January 1, 2002 which are enclosed as an Appendix to this report.

7. We have prepared the following report on the nature and scope and the results of our audit in accordance with the principles set forth in IDW PS 450; the audited annual financial statements are attached to this report as an Appendix. Since the audit is not legally required, this report is addressed only to the audited company.

II. Confirmation of Independence

8. In accordance with Section 321 (4a) HGB, we confirm that we conducted our audit of the annual financial statements with due regard to the applicable provisions on independence.

B. General Findings

I. Opinion on the Management Board's of the Company's Position

9. As the management board has admissibly not prepared a management report, we have not been able to make a statement regarding the legal representatives' assessment of the Company's position in accordance with Section 321 (1) Clause 2 HGB.

10. The business development of the Lloyd GmbH was characterized by their position as the general partner of the LDW. For their activities the company receives a liability remuneration which was determined before the beginning of the business year through shareholders resolution in consideration of the liability risk.

II. Copy of the Auditor's Report

11. Based on the final results of our audit we issued the following unqualified auditor's report dated 18. July 2014:

"Auditors' Report

To Lloyd Beteiligungs-GmbH, Bremen

We have audited the annual financial statements, comprising the balance sheet and the income statement, together with the bookkeeping system of the Lloyd Beteiligungs-GmbH, Bremen, for the business year from 1. April 2013 to 31. March 2014. The maintenance of the books and records and the preparation of the annual financial statements in accordance with the German commercial law, using the exemption for small corporations according to § (Article) 264 Abs. (paragraph) 1 Satz (sentence) 5 HGB ("Handelsgesetzbuch": "German Commercial Code"), are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (LDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis with in the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting and the exemption for small corporations according to § 264 Abs. 1 Satz 5 HGB."

C. Subject, Nature and Scope of the Audit

12. The subject of our audit was the **book keeping system**, the **annual financial statements** for the financial year from 1. April 2013 through 31. March 2014 consisting of the balance sheet and income statement to the financial statements, prepared in accordance with the provisions stipulated by commercial law for all merchants (Sections 242 to 256a HGB), the supplementary provisions for corporations and for certain commercial partnerships (Sections 264 to 288 HGB). The responsibility for the compliance of the bookkeeping system and annual financial statements lies with the Company's representatives. Our responsibility was to examine these documents to determine whether they comply with the statutory accounting provisions.

13. Our engagement to audit the annual financial statements did not include assessing the adequacy of the Company's **insurance coverage**, or in particular, whether all risks have been recognized and sufficiently insured.

14. We conducted **our audit** on the Company's premises in Bremen the months of April, May and July2014 preparatory audit procedures) as well as in our office in Bremen.

15. The **starting point** was the annual financial statements for the financial year from 1. April 2012 through 31. March 2013, which WSG Hanseatische Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Bremen, had audited and provided with an unqualified auditor's report.

16. We conducted our audit in accordance with the provisions of Section 316 et seqq. HGB and the generally accepted standards for the audit of financial statements as set forth in the LDW Auditing Standards. In accordance herewith we planned our audit in such a way as to detect any inaccuracies and violations of statutory provisions which have a material influence on the presentation of a true and fair view of the net assets, financial position and results of operations. Our engagement did not include detecting or clarifying criminal offenses (such as fraud or any other form of breach of trust) or breach of administrative rules unrelated to the accounting context, or assessing the effectiveness or operational efficiency of the management. However, we planned and conducted our audit such that misstatements and violations which are material to the accounting would be detected with reasonable assurance. The Company's legal representatives are responsible for the implementation and enforcement of suitable measures to avoid or detect misstatements and violations; monitoring is the responsibility of the supervisory board which, in doing so, also takes into account the risk of control measures being circumvented.

17. The Company does not have any operating activities. It only functions as a management and holding company. In accordance with the principle of materiality and the requirement of audit procedure efficiency we therefore mainly conducted tests of details on a sample basis. We evaluated the internal control system only to the extent that this was necessary to determine the risk of material errors in the accounting records.

18. Bank balances are the **areas of emphasis** which we determined for our **audit** of the annual financial statements.

19. **To audit the items in the annual financial statements** of the Company, we reviewed, among other things, excerpts from the Land Register and Commercial Register as other business records. We obtained bank confirmations as of 31. March 2014 in order to audit the relationships with banks and financial services institutions.

20. We audited the figures of the **opening balance sheet** to determine whether they had been properly carried over from the prior year financial statements. We performed additional audit procedures to gain reasonable assurance that the opening balance sheet figures not audited by us do not contain any material errors.

21. The management and the staff members authorized by the management supplied us with all **information and supporting documentation which we requested.**

The management submitted to us a standard letter of representation relating to the annual financial statements.

D. Findings Regarding Accounting Records

I. Adequacy of Accounting Records

1. **Bookkeeping System and Other Audited Records**

22. According to our findings, the **bookkeeping system** and the **voucher system** are proper and in compliance with the statutory provisions. The information which can be obtained from the other records audited is properly represented in the bookkeeping system, the annual financial statements.

23. Our audit has not revealed any matters which indicate that the Company's organizational and technical arrangements are inappropriate to ensure the **security of the accounting relevant data and IT systems**.

24. According to our findings, the accounting-related **internal control system** is generally suitable to ensure complete and accurate recording, processing, documentation and safeguarding of the bookkeeping data.

2. Annual Financial Statements

25. The annual financial statements of 31. March 2014, consisting of the balance sheet and income statement to the financial statements for the financial year from 1. April 2013 through 31. March 2014 were prepared in accordance with the statutory provisions including the legal form-specific provisions and principles of proper accounting. The shareholder

agreement does not contain any supplementary provisions which would have had to be observed.

26. The balance sheet and the income statement were properly derived from the bookkeeping system and the other audited records. In doing so, the recognition, disclosure and valuation requirements of commercial law were observed.

II. Overall Impression given by the Annual Financial Statements

27. The annual financial statements comply with the statutory provisions and, as a whole, give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting.

E. Conclusion

We have prepared the above report on the audit of the annual financial statements Lloyd Beteiligungs-GmbH, Bremen, for the financial year from 1. April 2013 through 31. March 2014 in accordance with the statutory provisions and the generally accepted standards for the issuance of long-form audit reports for the audits of financial statements (IDW PS 450).

The auditor's report is included in report section B "Copy of the Auditor's Report".

Bremen, July 18, 2014

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Dr. Thomas Ull
Wirtschaftsprüfer
(German Public Auditor)

ppa. Thomas Kohnert
Wirtschaftsprüfer
(German Public Auditor)

Balance sheet at March 31, 2014

Assets	31.03.2014	31.03.2013
	€	€
A. Current assets		
I. Receivables and Other assets		
1. Receivables from companies in which participations are held	0,00	2.343,55
2. Other assets	315,18	533,17
	315,18	2.876,72
II. Cash and cash equivalents	38.156,62	37.648,65
	38.471,80	40.525,37
Liabilities		
A. Capital		
I. Share capital	25.000,00	25.000,00
II. Profit carryforward	15.293,35	14.059,18
III. Net loss for the year (previous year: net profit)	-2.516,55	1.234,17
	37.776,80	40.293,35
B. Accruals		
1. Accrued income taxes	0,00	232,02
2. Other accruals	595,00	0,00
	595,00	232,02
C. Liabilities		
Liabilities to companies in which participations are held	100,00	0,00
	100,00	0,00
	38.471,80	40.525,37

Bremen, July 4, 2014

Domnik Brunner Pralhad P Katti Gerd Onken

Profit and loss account
from 1. April 2013 to 31. March 2014

	1.4.2013 to 31.03.2014	1.4.2012 to 31.3.2013
	€	€
1. Other operating income	2.417,60	2.343,55
2. Other operating expenses	4.987,39	908,18
3. Other interest and related income	53,24	30,82
4. **Ordinary operating results**	-2.516,55	1.466,19
5. Taxes on income and profit	0,00	232,02
6. Net loss for the period (previous year: net profit)	-2.516,55	1.234,17

Legal background

Company	Lloyd Beteiligungs-GmbH
Headquarter	Bremen
Commercial Register	HR B 20511 in the commercial register of the trial court in Bremen
Articles of incorporation	Valid in the version dated February 24, 2009
Financial year	1. April through 31. March
Size and share capital	The company is a micro-entity within the meaning of Section267a (1) HGB. The registered capital amounts to € 25.000 and was fully paid in.
Managing director	The managing directors of the Lloyd Beteiligungs-GmbH are – Dominik Brunner, Bremen (since 2. January 2014) – Pralhad P Katti, Bangalore/India (since 1. July 2014) – Gerd Onken, Oldenburg (since 1. July 2014) – Matthias Dankwardt, Bremen (till 30. July 2014) – Berthold Groeneveld, Weyhe (till 5. June 2013) – Thomas Nösekabel (from 18. December 2013 till 7. February 2014)

KIRLOSKAR ELECTRIC COMPANY LTD.
Industrial Suburb, Rajajinagar,
Bangalore – 560 010