Preliminary Placement Document
Subject to Completion
Not for circulation
Private and confidential
Serial No. ___

KIRLOSKAR ELECTRIC COMPANY LIMITED

*Kirloskar Electric Company Limited (the "**Company**" or "**Issuer**") was incorporated in the Republic of India as a public limited company on July 26, 1946 under the provisions of Mysore Companies Act, 1938 and received a certificate for commencement of business on January 22, 1947. Our company's corporate identity number is L31100KA1946PLC000415. Registered Office: Industrial Suburb, Rajajinagar, Bengaluru – 560 010, Karnataka, India. Tel: +91 80 – 2337 4865; Fax: +91 80 – 2337 7706; Email: investors@kirloskar-electric.com*

The Company is issuing [●] equity shares of face value ₹ 10 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share, including a premium of ₹ [●] per Equity Share, aggregating ₹ [●] Lacs (the "**Issue**").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER.

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE ICDR REGULATIONS ("QIBs") IN RELIANCE UPON CHAPTER VIII OF THE ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBs. THIS PRELIMINARY PLACEMENT DOCUMENT WILL BE CIRULATED ONLY TO SUCH QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

Invitations and subscription of the Equity Shares shall only be made pursuant to this Preliminary Placement Document together with the Application Form, the Placement Document and the Confirmation of Allocation Note. See the section "***Issue Procedure***" beginning on page 152. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Company's prior consent to any person other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "*RISK FACTORS*" BEGINNING ON PAGE 40 BEFORE MAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES PROPOSED TO BE ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

Our Company's outstanding Equity Shares are listed on the BSE Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**") (the BSE and the NSE collectively the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on August 19, 2016 was ₹ 50.05 and ₹ 49.05 per Equity Share, respectively. We have received in-principle approval under Regulation 28(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") to list our Equity Shares from the Stock Exchanges on August 22, 2016. Applications will be made for the listing and trading approvals for the Equity Shares offered through this Preliminary Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares.

OUR COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4 (as defined hereinafter)) will be filed with the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Karnataka at Bengaluru (the "**RoC**"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "RBI"), the Stock Exchanges, the RoC or any other regulatory or listing authority. The Equity Shares offered in the Issue have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Placement Document. This Preliminary Placement Document has not been and will not be registered as a prospectus with any Registrar of Companies in India, and will not be circulated or distributed to the public in India or any other jurisdiction or will not constitute a public offer in India or any other jurisdiction. This Preliminary Placement Document will be circulated or distributed to QIBs only and will not constitute an offer to any other class of investors in India or any other jurisdiction.

Information on our Company's website or any website directly or indirectly linked to our Company's website or the websites of the Book Running Lead Manager or its affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

The Equity Shares being offered and sold in this Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act"**), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are only being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). For description of these and certain further restrictions on offer, sale and transfer of the Equity Shares and distribution of this Preliminary Placement Document, see "***Notice to Investors***", "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 2, 164 and 169, respectively.

This Preliminary Placement Document is dated August 22, 2016

BOOK RUNNING LEAD MANAGER

MARK CORPORATE ADVISORS PRIVATE LIMITED

This Preliminary Placement Document is not complete and may be changed. We may not sell any securities described herein or accept an offer to buy such securities until this Preliminary Placement Document is delivered in final form. This Preliminary Placement Document is not an offer to sell any securities and is not soliciting an offer to subscribe for or buy securities in any jurisdiction where such offer or sale is not permitted.

TABLE OF CONTENTS

Page

NOTICE TO INVESTORS **2**
REPRESENTATIONS BY INVESTORS **3**
ENFORCEMENT OF CIVIL LIABILITIES **10**
CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND FINANCIAL DATA **11**
INDUSTRY AND MARKET DATA **12**
FORWARD-LOOKING STATEMENTS **13**
EXCHANGE RATES **15**
DEFINITIONS AND ABBREVIATIONS **16**
DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013 ..... **21**
SUMMARY OF THE ISSUE **24**
SUMMARY OF BUSINESS **26**
SUMMARY FINANCIAL INFORMATION **32**
RISK FACTORS **40**
MARKET PRICE INFORMATION **58**
USE OF PROCEEDS **61**
CAPITALIZATION STATEMENTS **62**
CAPITAL STRUCTURE **63**
DIVIDEND POLICY **65**
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS **66**
INDUSTRY **98**
BUSINESS **108**
REGULATIONS AND POLICIES **126**
BOARD OF DIRECTORS AND SENIOR MANAGEMENT **134**
PRINCIPAL SHAREHOLDERS **147**
ISSUE PROCEDURE **152**
PLACEMENT **162**
DISTRIBUTION AND SOLICITATION RESTRICTIONS **164**
TRANSFER RESTRICTIONS **169**
INDIAN SECURITIES MARKET **170**
DESCRIPTION OF THE EQUITY SHARES **174**
TAXATION **179**
LEGAL PROCEEDINGS **198**
INDEPENDENT AUDITORS **203**
GENERAL INFORMATION **204**
FINANCIAL STATEMENTS **205**
DECLARATION **206**
DECLARATION IN ACCORDANCE WITH FORM PAS - 4 ..... **207**

NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for the information contained in this Preliminary Placement Document and to the best of its knowledge and belief, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares, which is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Company, its Subsidiaries and the Equity Shares are, in material respects, true and accurate and not misleading. The opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, its Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, and are based on information presently available to our Company. There are no other facts in relation to our Company, its Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Manager ("**BRLM**") has made reasonable enquires but not separately verified all of the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the BRLM nor any of its members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the BRLM, or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has relied neither on the BRLM, nor any of its respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or on any person affiliated with the BRLM in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company, its Subsidiaries and the merits and risks involved in investing in the Equity Shares.

No person is authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the BRLM. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority. No regulatory authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in certain jurisdictions.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are only being offered and sold outside the United States in reliance on Regulation S.

This Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the BRLM which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any country or jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue related materials in connection with the Equity Shares issued pursuant to this Issue may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of our Company, its Subsidiaries and the terms of the Issue, including merits and risk involved. Investors should not construe the contents of this Preliminary Placement Document as business, legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the BRLM is making any representation to any allottee or subscriber of such Equity Shares pursuant to this Issue, regarding the legality of an investment in the Equity Shares by such allottee or subscriber under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document.

The information on our Company's website www.kirloskar-electric.com or any website directly or indirectly linked to our Company's website or the website of the BRLM or their affiliates does not constitute or form part of this Preliminary Placement Document. Prospective investors should not rely on such information contained in, or available through, such websites.

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to the prospective investors in the Issue.

By bidding for and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the BRLM, as follows:

- You are a eligible qualified institutional buyer as defined in Regulation 2(1)(zd) of the ICDR Regulations ("**QIB**"), and not excluded pursuant to Regulation 86(1)(b) of the ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the ICDR Regulations, the Companies Act and all other applicable laws, including reporting obligations;

- You are authorized to consummate the subscription of the Equity Shares in the Issue in compliance with all applicable laws and regulations;

- if you are not a resident of India, you are an eligible QIB, and (i) you are an FPI including an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) and (ii) or a multilateral or bilateral development financial institution or an FVCI and (iii) have a valid and existing registration with SEBI under the applicable laws in India and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority, from buying, selling or dealing in securities. Further, you are aware and understand that non-resident QIBs may only invest in the Issue under the portfolio investment scheme pursuant to Schedule 2 and 2A of FEMA Regulations;

- You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws;

- If you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from date of Allotment, sell the Equity Shares so acquired, except on the floor of the Stock Exchanges, for further details, please refer to the section "***Transfer Restrictions***" beginning on page 169;

- You are aware that the Equity Shares have not been, and will not be, registered under the Companies Act, the SEBI regulations or under any other law in force in India. This Preliminary Placement Document has not been verified or affirmed by the SEBI, RBI, the Stock Exchanges, RoC or any other regulatory or listing authority and is intended only for use by QIBs. This Preliminary Placement Document has been filed with the Stock Exchanges and will be displayed on the websites of our Company and the Stock Exchanges. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014;

- You are entitled to subscribe for such Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or our agents ("**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the BRLM may not have knowledge of the statements that our Company or our agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions and accordingly you acknowledge that the BRLM has advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

- Neither our Company nor the BRLM or its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendation to you or advising you regarding the suitability of any transactions that you may enter into in connection with the Issue. Your participation in the Issue is on the basis that you are not and will not be a client of the BRLM. Neither the BRLM nor any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have any duty or responsibility to you for providing the protection afforded to its clients or customers or for providing advice in relation to the Issue and is in no way acting in a fiduciary capacity;

- You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public. Further, you are aware and understand that the allotment of the Equity Shares shall be on a discretionary basis at the discretion of our Company and the BRLM;

- You have been provided a serially numbered copy of this Preliminary Placement Document and have read this Preliminary Placement Document in its entirety; including, in particular, the section titled "***Risk Factors***" beginning on page 40;

- That in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, the Equity Shares and the terms of the Issue, (iii) you have relied upon your own investigations and resources in deciding to invest in the Equity Shares, (iv) you have consulted with your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, including any applicable securities law and (v) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company or any other party and (vi) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

- You are aware that if you are Allotted more than five per cent of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares allotted to you to the Stock

Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures; also, if you are a top ten shareholder in our Company, our Company will be required to make a filing with the RoC within 15 days of the change, as per Section 93 of the Companies Act, 2013;

- You are a sophisticated investor and have such knowledge and experience in financial investment and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Company and/or the BRLM or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares; (v) have no need for liquidity with respect to the investment in the Equity Shares, and (vi) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You seek to purchase the Equity Shares in the Issue for your investment purposes and not with a view for resale or distribution;

- Neither the BRLM nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the BRLM or any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Issue). You waive, and agree not to assert, any claim against our Company, the BRLM, or any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- If you are acquiring the Equity Shares to be issued pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- You are not a "Promoter" (as defined under the ICDR Regulations) of our Company or any of its affiliates and are not a person related to the Promoter(s), either directly or indirectly and your bid does not directly or indirectly represent the Promoter or Promoter Group or person related to the Promoter(s) of our Company;

- You have no rights under any shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than such rights acquired in the capacity of a lender not holding any Equity Shares of our Company, which shall not be deemed to be a person related to the Promoter;

- You are aware, understand and agree that you have no right to withdraw your Bid after the Bid/Issue Closing Date (as defined hereinafter);

- You are eligible, including without any limitation under any applicable law or regulation, to apply for and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding upon such issue of the Equity Shares shall not exceed the level permissible, as per any applicable law or regulation;

- The Bids submitted by you would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**");

- To the best of your knowledge and belief, together with other Allottees in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the Issue. For the purposes of this representation: (a) the expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and (b) "control" shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

- you understand that the Equity Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares including the right to receive all dividends and other distributions declared, made or paid in respect of the Equity Shares after the date of issue of the Equity Shares;

- You are aware that in-principle approvals under Regulation 28(1) of the Listing Regulations have been received from the Stock Exchanges and application for final listing and trading approval shall be made after allotment of Equity Shares. There can be no assurance that such final approvals for listing and trading in the Equity Shares will be obtained in time, or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- You shall not undertake any trade in the Equity Shares credited to your depository participant account or beneficiary account until such time that the final listing and trading approvals for the Equity Shares is issued by the Stock Exchanges, as applicable;

- You are aware and understand that the BRLM has entered into a Placement Agreement with our Company whereby the BRLM has, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and use reasonable efforts to procure subscription for the Equity Shares on the terms and conditions set forth therein;

- You understand that the contents of this Preliminary Placement Document are exclusively the responsibility of our Company and that neither the BRLM nor any person acting on its behalf has, or shall have, any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By participating in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLM or our Company or any other person and, to the greatest extent permitted by law, neither the BRLM nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received, whether contained in this Preliminary Placement Document or otherwise;

- As stated in the preceding clause herein, the only information you are entitled to rely on, and on which you have relied on, in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares. You have neither received nor relied on any other information given or representations, warranties or statements made by the BRLM (including any view, statement, opinion or representation expressed in any research published or distributed by the BRLM or its respective affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the BRLM or its affiliates) or our Company and the BRLM will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- You agree to indemnify and hold our Company and the BRLM and its respective officers, directors, affiliates, associates and representatives harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section and the sections titled "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 164 and 169, respectively. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- That our Company, the BRLM, and its respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are irrevocable;

- That you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and any notifications, circulars or clarifications issued thereunder, ("**Security Regulations**"), and have not been prohibited by the SEBI from buying, selling or dealing in securities;

- You understand that the BRLM do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of our respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

- That each of the acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the allotment of the Equity Shares and the listing and commencement of trading of Equity Shares, wherever the context may require.

- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Bengaluru, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

- You have made, or been deemed to have made, as applicable, the representations set forth in this section and under the sections "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 164 and 169, respectively;

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined hereinafter), FPIs (which includes FIIs), other than Category III Foreign Portfolio Investor (as defined hereinafter) and unregulated broad based funds, which are classified as Category II foreign portfolio investor (as defined under the SEBI FPI Regulations) by virtue of their investment manager being appropriately regulated, may issue, subscribe or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") directly or indirectly, only in the event that (i) such offshore derivative instruments are issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. An FPI is also required to ensure that no issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority.

P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. Neither this Preliminary Placement Document nor the Placement Document contains or will contain any information concerning P-Notes, or the issuer(s) of any such P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claims on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the BRLM and do not constitute any obligations of, or claims on, the BRLM. Affiliates of the BRLM which are FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;

(2) warrant that our Company's Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

The filing of this Preliminary Placement Document should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of our Company pursuant to this Issue may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public limited company incorporated under the laws of India. Majority of our directors, senior management personnel and executive officers of our Company are residents of India and a substantial portion of the assets of such persons and of our Company are located in India. As a result, it may be difficult or may not be possible for investors to affect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties in courts outside of India.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908 (the "**Civil Code**") on a statutory basis. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except:

(a) where the judgment has not been pronounced by a court of competent jurisdiction;
(b) where the judgment has not been given on the merits of the case;
(c) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
(d) where the proceedings in which the judgment was obtained were opposed to natural justice;
(e) where the judgment has been obtained by fraud; or
(f) where the judgment sustains a claim founded on a breach of any law than in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of such Section), in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties and does not include arbitration awards.

A few countries like the United Kingdom, Republic of Singapore and Hong Kong, amongst others, have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A and do not include arbitration awards.

A judgment of a court in a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit must be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with the public policy of India. Further, any judgment or award for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India must obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered, and we cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approvals would be acceptable. It is unlikely that an Indian court would enforce foreign judgments that would be contrary to or in violation of Indian law. We cannot assure you that Indian courts and/or authorities would not take a longer amount of time to adjudicate and conclude similar proceedings in their respective jurisdictions.

CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND FINANCIAL DATA

Certain Conventions

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors of the Equity Shares to be issued pursuant to the Issue. References to 'Kirloskar Electric', the 'Company', or 'our Company', 'we', 'our' or 'us' are to Kirloskar Electric Company Limited, and where the context requires also includes our Subsidiaries unless the context otherwise requires. All references in this Preliminary Placement Document to "India" are to the Republic of India, to the "Government" or the "Central Government" are to the Government of India and to any "State Government" are to the relevant state government in India. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions.

Currency of Presentation

All references to "Rupees", "₹", "Re." and "Rs." are to the currency of India. All references to "U.S. dollars", "dollars", "$", "USD" and "US$" are to the currency of the United States of America. References to the words "Lakh" or "Lacs" mean "100 thousand", the word "million" means "10 lacs" and the word "billion" means "1,000 million".

Financial Data

Our Company publishes its financial statements in Indian Rupees. Our Company's financial statements included herein have been prepared in accordance with accounting principles generally accepted in India, or Indian GAAP and the Companies Act, 2013 and have been audited by the Auditors in accordance with the applicable generally accepted auditing standards in India prescribed by the ICAI. Unless otherwise indicated, all financial data in this Preliminary Placement Document are derived from our Company's audited financial statements prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from International Financial Reporting Standards ("**IFRS**"), U.S GAAP and other international accounting systems. Our Company does not quantify the impact of U.S. GAAP or International Financial Reporting Standards ("**IFRS**") on the financial data included in this Preliminary Placement Document, nor does our Company provide a reconciliation of its financial statements to U.S. GAAP or IFRS. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. See the section "***Risk Factors***" beginning on page 40.

Our Company's Fiscal commences on April 1 of each year and ends on March 31 of the succeeding year; so all references to a particular Fiscal are to the twelve-month period ended on March 31 of that year. The audited financial statements of our Company for the years ended March 31, 2014, March 31, 2015 and March 31, 2016 and the unaudited standalone financial results as of and for the three months ended June 30, 2016, are prepared in accordance with Indian GAAP, are included in this Preliminary Placement Document and are referred to herein as the "***Financial Statements***".

In this Preliminary Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our Company's business contained in this Preliminary Placement Document consists of estimates/forecasts based on data reports compiled by professional organisations and analysts, on data from recognized industry sources, other external sources, and on our Company's knowledge of the markets in which our Company operates. The statistical information included in this Preliminary Placement Document has been reproduced from various trade, industry and Government publications and websites. Our Company confirm that such information and data has been accurately reproduced, and that as far as we are aware and are able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, thus requiring our Company to rely on internally developed estimates. For further details, please refer to the section titled "***Industry Overview***" on page 98.

Neither our Company nor the BRLM or any of their respective affiliates and advisors or any other person connected with the Issue has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

Accordingly, the BRLM and we do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent source and our Company cannot assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical facts constitute 'forward-looking statements'. These statements express views of the management of our Company and expectations based upon certain assumptions regarding trends in the Indian and international financial markets and regional economies, the political climate in which our Company operates and other factors. Prospective investors can identify forward-looking statements by the use of forward-looking terminology, including the words "aim", "anticipate", "believes", "continue", "can", "could" "estimates", "expects", "intends", "may", "will", "plans", "objective", "potential", "project", "pursue", "shall", "will likely result", "will continue", "will achieve", "is likely" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. All statements regarding our Company's expected financial condition and results of operations, business plans projects under execution, orders-in-hand and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, revenue and profitability and other matters discussed in this Preliminary Placement Document regarding matters that are not historical facts. They appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Company concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Company and the industry in which we operate.

By their nature, forward-looking statements contained in this Preliminary Placement Document (whether made by our Company or any third party) are predictions and involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, and assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.. Forward-looking statements are not guarantees of future performance. Our Company's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which we operate may differ materially from the impression created by the forward-looking statements contained in this Preliminary Placement Document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of our Company and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements include, among others:

- fluctuation in the prices of raw materials;
- slowdown in end-user industries;
- our ability to manage our growth effectively;
- volatility in the cost and availability of raw materials;
- changes in general, political, social and economic conditions in India and elsewhere;
- difficult condition in the global capital market and the economy generally;
- our ability to control cost and retained senior management personnel;
- our ability to finance its business and growth;
- our ability to compete effectively, particularly in new markets and business lines;
- potential mergers, acquisitions or restructurings;
- changes in the foreign exchange control regulations in India;
- slowdown in economic growth in India or the other countries in which we operate and
- other factors discussed in this Preliminary Placement Document, including "*Risk Factors*".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***Business***" beginning on pages 40, 66 and 108 respectively. These forward-looking statements speak only as of the date of this Preliminary Placement Document. Our Company and the BRLM expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-

looking statement contained herein to reflect any changes in our Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management of our Company, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, our Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and other forward-looking statements attributable to our Company in this Preliminary Placement Document are expressly qualified in their entirety by reference to these cautionary statements.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US$ 1.00), for the periods indicated. The exchange rates are based on the reference rates released by the RBI, which are available on the website of the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On August 19, 2016, the exchange rate (the RBI reference rate) was ₹ 66.92 to US$ 1.00.

(₹ per US$1.00)

	Period End	Average[(1)]	High	Low
Fiscal Year Ended:				
March 31, 2016	66.33	65.46	68.78	62.16
March 31, 2015	62.59	61.15	63.75	58.43
March 31, 2014	60.10*	60.50	68.36	53.74
Month ended:				
July 31, 2016	67.03**	67.21	67.50	66.91
June 30, 2016	67.62	67.30	68.01	66.63
May 31, 2016	67.20	66.91	67.71	66.27
April 30, 2016	66.52***	66.47	66.73	66.24
March 31, 2016	66.33	67.02	68.16	66.33
February 29, 2016	68.62	68.24	68.78	67.64

Source: *www.rbi.org.in*

(1) Represents the average of the reference rates released by the RBI on every working day of the relevant period

** Exchange rate as on March 28, 2014, as March 29, 2014 and March 30, 2014 and March 31, 2014 were non trading days*

*** Exchange rate as on July 29, 2016, as July 30, 2016 and July 31, 2016 were non-trading days*

**** Exchange rate as on April 29, 2016, as April 30, 2016 was non-trading day*

DEFINITIONS AND ABBREVIATIONS

Unless otherwise defined or the context otherwise indicates or requires, certain capitalized terms used in this Preliminary Placement Document have the meanings set forth below:

Company Related Terms

Term	Description
"Kirloskar Electric Company Limited", " Kirloskar" "We", "us", "our", "Issuer", "the Company" and "our Company"	Unless the context otherwise indicates or implies, refers to Kirloskar Electric Company Limited.
Articles or Articles of Association or AoA	The articles of association of our Company, as amended.
Auditors	M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants, the statutory auditor of our Company.
Board of Directors or Board	The board of directors of our Company and any committee constituted thereof.
Committee	The committee of the Board of Directors.
Director(s)	The director(s) of our Company.
Equity Shares or Shares	The equity shares of our Company of face value ₹ 10 each.
Financial Statements	Audited financial statements of our Company for the years ended March 31, 2014, March 31, 2015 and March 31, 2016 and the unaudited standalone financial results as of and for the three months ended June 30, 2016, prepared in accordance with Indian GAAP.
Immediate Relatives	Any spouse of a person, and includes parent, brother, sister or child of such person or of the spouse as per the definition provided in Regulation 2(1) (l) of the SEBI Takeover Code.
QIP Committee	The QIP committee of the Board of Directors described in "***Board of Directors and Senior Management***" beginning on page 134
Memorandum or Memorandum of Association	The memorandum of association of our Company, as amended.
Promoters	Vijay Kirloskar and Meena Kirloskar
Promoter Group	Promoter group of our Company as per the definition provided in Regulation 2(1) (zb) of the ICDR Regulations. Vijayjyothi Investments and Agencies Private Limited, Vijay Farms Private Limited, Abhiman Trading Company Private Limited, Sri Vijayadurga Investments and Agencies Private Limited, Vijaykirti Investments and Agencies Private Limited, Vimraj Investments Private Limited, Kirloskar Batteries Private Limited and Kirloskar Power Equipments Limited have been disclosed as a promoter group of our Company in the shareholding pattern of our Company as on June 30, 2016. Further, Vijay Kirloskar and Meena Kirloskar are the natural person in control of the abovementioned promoter group.
Registered Office	The registered office of our Company located at Industrial Suburb, Rajajinagar, Bengaluru – 560 010, Karnataka, India.
Registrar of Companies or RoC	The Registrar of Companies, Karnataka at Bengaluru.
Shareholder(s)	Shareholders of our Company
Subsidiaries	SKG Terra Promenade Private Limited, SLPKG Estate Holdings Private Limited, Luxquisite Parkland Private Limited, KELBUZZ Trading Private Limited, Swaki Habitat Private Limited and Kesvik Developers Private Limited

Issue related Terms

Term	Description
Allocated or Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by such QIBs, in consultation with the BRLM and in compliance with Chapter VIII of the ICDR Regulations.
Allot or Allotted or Allotment	Unless the context otherwise requires, the issue and allotment of the Equity Shares to be issued.
Allottees	Successful Bidders to whom Equity Shares are issued and Allotted pursuant to the Issue.
Allotment	The issue and allotment of Equity Shares pursuant to this Issue.
Application or Bid	Indication of interest from a QIB to subscribe for a specified number of Equity Shares in this Issue on the terms set out in the Application Form to our Company.
Application Form or Bid cum Application Form	The form, including all revisions and modifications thereto, pursuant to which a QIB submits an Application.
Bidder(s)	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form.
Bidding / Issue Period	The period between the Bid/Issue Opening Date and Bid/Issue Closing Date, inclusive of both dates, during which prospective Bidders can submit Bids.
BSE	BSE Limited.
CDSL	Central Depository Services (India) Limited
CAN or Confirmation of Allocation Note	Note or advice or intimation to successful Bidders confirming Allocation of Equity Shares to such successful Bidders after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such successful Bidders.
Closing Date	[●], 2016, which is the last date up to which the Application Forms shall be accepted.
Cut-off Price	The Issue Price of the Equity Shares, which shall be determined by our Company, in consultation with the BRLM.
Eligible FPIs	FPIs that are eligible to participate in the Issue and does not include qualified foreign investors and Category III Foreign Portfolio Investors (who are not eligible to participate in the Issue)
Escrow Agreement	The Escrow Agreement dated August 22, 2016, by and between our Company, the BRLM and the Escrow Bank.
Escrow Bank	Bank of India
Escrow Account	The non-interest bearing, no-lien, escrow bank account without any cheque or overdraft facilities opened by our Company with the Escrow Bank pursuant to the Escrow Agreement.
Floor Price	The floor price of ₹ 48.56 per Equity Share, as calculated in accordance with Regulation 85 of the ICDR Regulations.
ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
Issue	The offer, issue and allotment of [●] Equity Shares to QIBs, pursuant to Chapter VIII of the ICDR Regulations and the provisions of Companies Act, 2013 and Private Placement Provisions.
Issue Closing Date or Bid Closing Date	[●], 2016, the date on which our Company (or the BRLM on behalf of our Company) shall cease acceptance of Application Forms.
Issue Opening Date or Bid Opening Date	August 23, 2016, the date on which our Company (or the BRLM on behalf of our Company) shall commence acceptance of Application Forms.
Issue Price	₹ [●] per Equity Share.
Issue Size	The issue of up to [●] Equity Shares aggregating ₹ [●] Lacs.
Book Running Lead Manager/BRLM/ Lead Manager	Mark Corporate Advisors Private Limited

Term	Description
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
Listing Agreement	The agreement entered into between our Company and each of the Stock Exchanges in relation to listing of the Equity Shares on each of the Stock Exchanges pursuant to requirements of Regulation 109 of the Listing Regulations.
NSDL	The National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
Pay-in Date	The last date specified in the CAN for payment of application monies by the QIBs.
Placement Agreement	The Placement Agreement, dated August 22, 2016, among our Company and the BRLM.
Placement Document	The placement document to be issued by our Company in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.
Preliminary Placement Document	This preliminary placement document dated August 22, 2016, issued in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.
QIB or Qualified Institutional Buyer	Any Qualified Institutional Buyer as defined under Regulation 2(1) (zd) of Chapter VIII of the ICDR Regulations.
QIP	Qualified institutions placement under Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder.
Regulation S	Regulation S, as defined under the U.S. Securities Act.
Relevant Date	August 22, 2016, date of the meeting of the QIP Committee duly authorised by the Board of Directors deciding to open the Issue.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
Stock Exchanges	The BSE and the NSE.
STT	Securities Transaction Tax
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.

Business and Industry Related Terms

Terms	Description
AC	Alternating Current
CAGR	Compound Annual Growth Rate
DC	Direct Current
FHP	Fractional Horsepower
GW	Gigawatts
HT	High Tension
IEE	Indian Electrical Equipment
IEEMA	Indian Electrical & Electronics Manufacturers Association
IBEF	India Brand Equity Foundation
IMF	International Monetary Fund
KNm	Kilo newton meter
KV	Kilo volt
KVA	Kilo Volt ampere
KW	Kilo watt
LT	Low Tension
MW	Megawatts
NM	Newton meter
SME	Small and Medium-sized Enterprises

Terms	Description
T&D Equipment	Transmission & Distribution Equipment
V	Volt
W	Watt
12th FYP	12th Five Year Plan

Conventional and General Terms

Terms	Description
AGM	Annual General Meeting
AIF	Alternate Investment Funds
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
CAGR	Compounded Annual Growth Rate
Chapter VIII	Refers to Chapter VIII of the SEBI (ICDR) Regulations, 2009 that deals with Qualified Institutions Placement, and as amended from time to time
Civil Code or Code	The Code of Civil Procedure, 1908 of India, as amended
Companies Act	Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections)
Companies Act, 2013	Companies Act, 2013 and the rules made thereunder, to the extent in force pursuant to notification of the Notified Sections
CIN	Corporate identity number
CSR	Corporate Social Responsibility
Depositories Act	The Depositories Act, 1996, as amended
DIN	Director identification number
EBITDA	Earnings before interest, tax, depreciation and amortization
EGM	Extraordinary General Meeting
FDI	Foreign Direct Investment in an Indian company, in accordance with applicable law
FEMA/ FEMA Regulations	The Foreign Exchange Management Act, 1999, as amended and the Regulations framed thereunder
FII(s)	Foreign institutional investors as defined under Regulation 2(g) of the FPI Regulations and registered as such with the SEBI
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
Financial Year or Fiscal Year or Fiscal or FY	A period of twelve months ending March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPI(s)	Foreign Portfolio Investors, as defined under Regulation 2(1)(h) of the Securities And Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
FVCI	Any foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI under applicable laws in India.
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GoI or Government	Government of India, unless otherwise specified
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act or IT Act	The Income Tax Act, 1961 of India, as amended
India	The Republic of India

Terms	Description
Indian GAAP	Generally accepted accounting principles followed in India
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended
Lakh/ Lac/Lacs	One hundred thousand
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
Minimum Wages Act	Minimum Wages Act, 1948, as amended
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
Non-Resident Indian(s) or NRI	Non-Resident Indian, as defined under FEMA
Notified Sections	Sections of the Companies Act, 2013 that have been notified by the Government of India
p.a.	Per annum
PAN	Permanent Account Number
Portfolio Investment Scheme/PIS	The portfolio investment scheme of RBI specified in Schedule 2 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
Private Placement Provisions	Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014
₹ or Rs. or Rupees or INR	Indian Rupee
RBI	The Reserve Bank of India
RTGS	Real-Time Gross Settlement
State	Any state in the Republic of India
State Government	Government of a State
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America
$ or U.S. dollar or USD or US$	The currency of the United States
VAT	Value Added Tax
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of our Company indicating both Registered Office and corporate office	208
b.	Date of incorporation of our Company	Cover page and 204
c.	Business carried on by our Company and its subsidiaries with the details of branches or units, if any.	108 – 125
d.	Brief particulars of the management of our Company.	134 – 146
e.	Names, addresses, DIN and occupations of the Directors.	134 – 137
f.	Management's perception of risk factors	40 – 57
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	NIL
(ii)	Debentures and interest thereon;	NIL
(iii)	Deposits and interest thereon; and	NIL
(iv)	Loan from any bank or financial institution and interest thereon.	NIL
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of our Company, if any, for the private placement offer process.	208
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	204
b.	Date of passing of resolution in the general meeting, authorising the offer of securities.	204
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	24
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	24
e.	Name and address of the valuer who performed valuation of the security offered.	Not Applicable
f.	Amount which our Company intends to raise by way of securities.	61
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not Applicable
(ii)	Rate of dividend;	Not Applicable
(iii)	Rate of interest;	Not Applicable
(iv)	Mode of payment; and	Not Applicable
(v)	Repayment.	Not Applicable
h.	Proposed time schedule for which the offer letter is valid.	17
i.	Purposes and objects of the offer.	61
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	61
k.	Principle terms of assets charged as security, if applicable.	Not Applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	139 and 146

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	201
c.	Remuneration of Directors (during the current year and last three financial years).	140 - 142
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	146
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark.	85 – 95
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for our Company and all of its subsidiaries.	201
g.	Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company.	201
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	The capital structure of our Company in the following manner in a tabular form:	
(i)(a)	The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	63
(b)	Size of the present offer; and	24
(c)	Paid up capital:	63
(A)	After the offer; and	63
(B)	After conversion of convertible instruments (if applicable);	Not Applicable
(d)	Share premium account (before and after the offer).	63
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	63 – 64
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	64
b.	Profits of our Company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	33 and 37
c.	Dividends declared by our Company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	65
d.	A summary of the financial position of our Company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	32 and 36
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	34 and 38

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of our Company.	72
5.	**A DECLARATION BY THE DIRECTORS THAT**	
a.	Our Company has complied with the provisions of the Act and the rules made thereunder.	207
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	

SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including under the sections "**Risk Factors**", "**Use of Proceeds**", "**Placement**", "**Issue Procedure**" and "**Description of the Equity Shares**".*

Issuer	Kirloskar Electric Company Limited
Face value	₹ 10 per Equity Share
Issue Price per Equity Share	₹ [●]
Issue Size	The issue of up to [●] Equity Shares aggregating ₹ [●] Lacs. A minimum of 10 % of the Issue Size i.e. [●] Equity Shares shall be available for Allocation to Mutual Funds only, and [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs.
Date of Board Resolution	May 18, 2016
Date of Shareholders' Resolution	June 24, 2016
Resolution of QIP Committee for opening of the Issue	August 22, 2016
Floor Price	₹ 48.56 per Equity Share, calculated in accordance with Regulation 85 of the ICDR Regulations. Under the ICDR Regulations, the Issue Price cannot be lower than the Floor Price subject to discount of not more than 5% on the Floor Price which may be considered by our Company.
Equity Shares issued and outstanding immediately prior to the Issue	5,57,33,723 Equity Shares at a face value of ₹ 10 per share.
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares at a face value of ₹ 10 per share.
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the ICDR Regulations and Chapter VIII of the ICDR Regulations. Only QIBs which are FIIs and Eligible FPIs are permitted to participate in this Issue. For further details, see the sections "***Issue Procedure – Qualified Institutional Buyers***" and "***Transfer Restrictions***" beginning on pages 152 and 169 respectively.
Listing	(i) Applications for approval, in terms of Regulation 28(1) of the Listing Regulations were made and (ii) the application for the in-principle and final listing and trading approval, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, will be made only after Allotment of the Equity Shares in the Issue.
Taxation	See the section titles "***Taxation***" on page 179.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue cannot be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For further details, see the section "***Transfer Restrictions***" on page 169
Ranking	The Equity Shares being issued in the Issue are subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including with respect to dividend rights. Shareholders will be entitled to dividends and other corporate benefits, if any, declared by us after the Closing Date, in compliance with the Companies Act, 2013 and Listing Regulations. Shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. Please see the section "***Description of the Equity Shares***" on page 174.

Use of Proceeds	The gross proceeds of the Issue are expected to be approximately ₹ [●] Lacs. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ [●] Lacs. For further details, please see the section *"**Use of Proceeds**"* on page 61.
Lock-up	Our Company has agreed that it will not, without the prior written consent of the BRLM (which such consent shall not be unreasonably withheld), for the period commencing from the date of the Placement Agreement and ending 180 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise. Our Promoters have agreed that without the prior written consent of the BRLM (which such consent shall not be unreasonably withheld), it will not, during the period commencing from the date of the Placement Agreement and ending 180 days after the date of allotment of the Issue Shares, directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; provided however that the foregoing restrictions will (i) not be applicable to any pledge or mortgage of the Equity Shares already existing on the date of the Placement Agreement or transfer of such existing pledge or mortgage; and (ii) not restrict the existing shareholders of our Company from acquiring or purchasing any Equity Shares in our Company, directly or indirectly, in accordance with and subject to applicable laws.
Risk Factors	For a discussion of certain risks in connection with an investment in the Equity Shares, please see the section "***Risk Factors***" on page 40.
Pay-In Date	Last date specified in the CAN sent to the QIBs for payment of application money.
Security codes:	**ISIN:** INE134B01017; **BSE Code**: 533193; **NSE Code**: KECL

SUMMARY OF BUSINESS

We are one of the leading electrical capital goods equipment manufacturing companies in India. We are primarily engaged in the business of manufacturing and sales of electric motors, that is, AC machines and DC machines, AC generators ('**Rotating Machines Group**'), transformers, switchgears and silent diesel generator sets ('**Power Generation and Distribution Group**'), projects and systems ('**Others**'). We have been in the business of manufacturing and sales of electrical capital goods equipment for over six (6) decades and have consistently been one of the leading suppliers of electric motors in India. This has not only resulted in getting repeat orders but also helped in adding new customers and new geographies.

Established in 1946, our Company ushered the indigenous electrical engineering industry. With over six (6) decades of manufacturing experience, we have evolved to become an integrated multi-locational manufacturing company. We manufacture wide range of products under three (3) product groups namely Rotating Machines Group, Power Generation and Distribution Group and Others that cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries. We believe we are a one-stop solution provider to our customers, across sectors. We have progressed from being a manufacturer of electric motors to diversified electrical capital goods equipment such as AC generators, transformers, diesel generator sets, switchgears, projects and systems etc. We have strong design and engineering capabilities with in-depth knowledge of electrical capital goods equipment. Our Company is founded by Late Ravi Kirloskar and is presently led by his son Vijay Kirloskar. He has over three decades of experience in the field of sales and marketing and electrical industry and was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries.

Being an integrated manufacturer, we conceptualise, design, manufacture and deliver our products in each of the business segments from our multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Our infrastructure includes press shop, machine shop, component design and engineering, development centres along with inspection laboratories. All our manufacturing facilities are equipped with engineering development facilities which primarily cater to in-house requirements of our Company in material science, new product design and development, product optimization, prototyping and test validation. We are committed to providing quality products to our customers and in this relation hold various certifications, approvals and accreditations including ISO 9001:2008 and BIS – 1180 standards, OHSAS 18001 certifications for implementing occupational health and safety management systems at such facilities. Certain of our products are also certified to be compliant with various national and international quality standards. This enables us to offer our products built uniquely around our customer's needs.

We believe that our engineering and development capabilities have enabled us to keep abreast of technological developments in our industry. We have a strong focus on constantly adopting the technology that is used in our products and the processes used in manufacturing thereof, through our continuing engineering and development efforts. We have established in-house engineering and development centres in each of our facilities. Our engineering and development efforts include offering solutions for import substitutes for electric motors, motors for electric vehicles, mining transformers, high frequency generator sets and test setups amongst others.

We have professionally managed teams including trained engineers experienced in all streams and cross functions. As on June 30, 2016, our Company had 1,431 permanent employees besides hiring contract labors pursuant to the need of business.

We manufacture and sell our products under '*Kirloskar Electric*'. We have a strong marketing network across geographies for sales and marketing and aftermarket support. Our products are exported to several countries including Tanzania, Kuwait, Bangladesh, Netherlands and Oman. As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India. In order to provide services to our customers, we have also set-up a dedicated toll-free helpline for delivering product information, technical details, etc. Further, with an objective to reach out to dealers, we organise dealers' meet during our product launch, new developments and other initiatives. We have long-standing relationships with several domestic and international players and have been recognized as an "Approved Supplier" for the products manufactured by us.

The table below provides information regarding revenue from operations relating to business segments during Fiscals 2016, 2015 and 2014 as per the standalone audited financial statements and unaudited standalone financial results as of and for the three months ended June 30, 2016:

(₹ in lacs)

Segment	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Revenue from operations	%	Revenue from operations	%	Revenue from operations	%	Revenue from operations	%
Rotating Machines Group	5,485.73	36.77%	27,288.91	49.82%	25,658.33	50.23%	34,157.92	50.24%
Power Generation and Distribution Group	8,992.86	60.27%	24,619.64	44.95%	22,779.32	44.60%	28,563.08	42.02%
Others	441.61	2.96%	2,866.60	5.23%	2,642.67	5.17%	5,263.27	7.74%
Total	**14,920.20**	**100.00%**	**54,775.15**	**100.00%**	**51,080.32**	**100.00%**	**67,984.27**	**100.00%**

OUR STRENGTHS

Our principal competitive strengths are set forth below:

Established brand in the electrical capital goods equipment industry

We are an established manufacturer of electrical capital goods equipment in India and we manufacture and sell our products under '*Kirloskar Electric*'. We are one of the leading market players with wide range of product portfolio for electrical capital goods equipment in India. We believe that our focus on maintaining customized design, engineering, quality and reliability across our product verticals and on continuous technological improvements of our products, together with our extensive sales and marketing efforts have enabled us to develop a strong brand recognition in the industry. We enjoy significant brand recall and customer loyalty for our products which enables us to expand our business on continuous basis.

Being one of the oldest manufacturers of electrical capital goods equipment in India, we have an established presence in the market for our products. We cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries.

Large and diversified product portfolio

Since our incorporation in 1946 as a B2B focused manufacturer of electrical capital goods equipment, we have significantly expanded our product portfolio catering to requirements of a diversified customer base. We manufacture wide range of products under three (3) product groups namely Rotating Machines Group, Power Generation and Distribution Group and Others that cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries.

Although the technical specifications for our products are largely standardized, we undertake customization of our products based upon customers' requirement. We also undertake modifications to our products for certain OEMs. We believe our dedicated efforts towards expanding our product portfolio and our ability to identify our customers' requirements contribute significantly to our position in the industry and have resulted in us becoming a one-stop shop for such products. Further, we believe that our ability to adapt our offerings to match the needs of our consumers across a wide range of application gives us a competitive edge in the market for such products.

Robust manufacturing facilities with a focus on technology adoption

We combine engineering expertise with modern manufacturing techniques, to deliver quality products in a cost efficient manner. We manufacture all our products at the dedicated facilities for each product vertical. We also undertake testing of our products at our in-house testing facilities to ensure their quality. All our manufacturing facilities have been accredited with management system certificates for compliance with quality standards. Our manufacturing units 5, 7, 1, 2 and 25 situated in Mysore, Tumkur, Govenhalli and Hubli, respectively are accredited

with ISO 9001:2008 certification. Further, our manufacturing unit situated at Pune is accredited with ISO: 9001: 2008, ISO 14001:2004, and BS OHSAS 18001: 2007 certification which has been issued by Bureau Veritas Verification in recognition of our business and safety procedures.

Presently, we have multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Our infrastructure includes press shop, machine shop, component design and engineering, development centres along with a well-equipped inspection laboratory and a calibration laboratory. All our manufacturing facilities are equipped with engineering development facilities which primarily cater to in-house requirements of our Company in material science, new product design and development, product optimization, prototyping and test validation. We have consistently undertaken expansion of our manufacturing facilities in the past with a view to capture increasing demand in the future. We believe that our manufacturing facilities enable us to expand our operations with an ease to meet future demand in minimum lead time. Additionally, our manufacturing facilities are equipped to manufacture customized products for our customers.

Well-developed engineering and design abilities

Over the years, we believe that we have adopted contemporary technology and product design capabilities. We believe that we have in-depth knowledge in engineering, design and development with which we innovate to meet our customers' requirements. We believe that our successful collaborations have enabled us to enhance our expertise and improve our technical skills, thereby empowering us to keep ourselves abreast of the latest technological developments to strengthen our market position.

Long standing market presence and relationship with our customers for over six decades

Our Company was set up in 1946 for the manufacture of AC motors ranging from 1 HP equipment, for various applications. With over six decades of manufacturing experience, our Company has grown into a multiproduct company with a basket of electrical products, catering to industrial segments. Our products are exported to several countries. As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India.

Our long standing presence in this segment helped us to understand the changing needs and preferences of our customers. Our relationships with our customers allow us to understand and cater to their diverse requirements, including the development of new products. We have been recognized as an "Approved Supplier" for the products manufactured by us. By virtue of our association with our customers, with constant improvement and adoption of technologies, augmented with quality, we believe that we enjoy considerable brand equity and reliability in the industry where we operate.

Experienced management team with a proven track record

Our operations are led by an experienced senior management group who we believe has the professional expertise and vision to maintain our position as one of the leading diverse electrical capital goods engineering companies. Our Company's senior management includes qualified personnel with rich experience in the industry in which we operate. Our Executive Chairman, Vijay Kirloskar has over three decades of experience in the field of sales and marketing and electrical industry and was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries. Our Managing Director, Vinayak Bapat has over 26 years of experience in the fields of business strategy development, financial assessment and business reorganisation. He has received Business Leadership award in 2015 from Indian Achievers Forum and was also awarded Recognition of Excellence from CFO 100 in 2014 and 2015. Our Executive Director - Sales, Anand Hunnur has over 32 years of experience in the field of sales and marketing. Our senior management team is supported by professionals and skilled, semi-skilled and contractual workers.

We believe that our qualified and experienced management and employees have contributed to our growth and the development of in-house processes and competencies. Our experienced and dedicated employees have performed key roles in implementing our various business strategies from time to time. For further details of our senior managerial personnel, please refer to chapter titled '***Board of Directors and Senior Management***' beginning on page 134.

OUR STRATEGIES

Our strategy is to build upon our competitive strengths and exploit business opportunities in the industry in which we operate, that leverages design to manufacturing competence. Our objective is to improve and consolidate our position in the manufacturing of electrical capital goods equipment. The key elements of our strategy are segregated into short term, medium term and long term, as follows:

Short-Term Strategy

Improve operational performance and competitiveness

In light of the difficult situation being faced in our operations, our immediate focus is on improving our operating performance through a series of measures.

With respect to our operations, our focus is on the following steps to improve our operational efficiencies:

- Improvement of yields from our manufacturing process;
- Improvement in design capabilities enabling us to reduce per unit cost and improve profitability;
- Lowering rejections during the manufacturing process;
- Better working capital management;
- Better use of technology by leveraging the knowledge gained; and
- Increase capacity utilization by improving our order book

Medium-Term Strategy

Reduce our working capital cycle and focus on rationalizing our indebtedness

Due to the highly competitive nature of the industry in which we operate, it is critical for us to rationalize our costs to improve our margins. Presently, our working capital cycle extends up to 78 days. Our business requires working capital primarily for financing our raw material purchases and manufacturing our products before we receive payments from our customers. Moreover, our working capital requirements will increase in the event we undertake a larger number of orders as we grow our business. We are on verge of gradually improving our working capital cycles. The measures amongst others include just-in-time procurement, monitoring inventories for possible reduction in the volume of stock, cash management systems and negotiation of favorable commercial terms with vendors.

Moreover, we intend to rationalize our borrowings with the objective of reducing our overall finance costs and improving our debt to equity ratio. Our aggregate standalone borrowings outstanding as on March 31, 2016 were ₹ 25,775.97 lacs and our debt to equity ratio as on March 31, 2016 was 17.15 times. We propose to repay/prepay our existing loans/debts, towards which, we intend to use a portion of the Proceeds of the Issue to reduce our overall indebtedness, finance costs and debt to equity ratio for future leverage.

Targeting new markets and strengthen our relationship with our existing customers

We intend to increase our sales and customer penetration by targeting new customer accounts in new markets and expanding our existing customer accounts in our principal markets by offering our entire range of products. Towards this objective, we seek to continue to consolidate and develop our relationships with renowned global players. We also believe that we will be able to capitalize on our brand equity, consistent performance and customer satisfaction in our existing markets and product verticals to target new customers.

We seek to implement measures to reduce our working capital cycles. We also like to strengthen our dealer network to enhance the market reach and increasing acceptance of our brand and products across product verticals in the domestic and global markets. We seek to increase our visibility in the market and focus on further promoting our brand, which we believe, will support our efforts in obtaining building new customers / dealers network. We propose to leverage our long-standing relationship with our existing customers to procure new orders and expand our presence in the global and domestic markets. In the past, we have been successfully able to leverage our relationships in the

domestic markets to procure orders. We believe that our extensive domain knowledge, engineering and development capabilities, customized solutions and track record of performance have contributed to strengthening our relationship with our customers over the years. We intend to continue our strategic focus on growth opportunities in market by leveraging our existing client relationships and goodwill.

Further diversify our revenue stream from our operations by increasing the share of the product in our portfolio

Our Company has the capabilities to design, develop and manufacture products that augment our product portfolio. In past our Company has developed AC generators, medium volte transformers, various types of diesel generator sets for a diversified range of application based on specific requirements and meeting specification provided by our customers. Our Company intends to continuously identify requirements of new products and applications required by our customers and provide solutions by bringing modifications in the existing products or develop a new product for our customers. Our Company intends to keep on introducing new products either by in-house product designing and development capabilities and/or acquiring new technology in association with others. For example, we have recently developed 2.5 MVA inverter duty solar application transformers and the same has been approved by NTPC. We also developed number of distribution and power transformers for our customers as per specification provided by them. We have set up a dedicated team to focus on continuing improvements to the design framework and user interface of our products and related solutions. We adopt straight through processing that requires us to focus on exceptions rather than routine business transactions to enable further simplification of the user interface and creating a rich, intuitive and interactive user experience.

Increasing geographical penetration and expansion of addressable market

We intend to further grow our business by adding new dealers and customers in existing and new markets. In addition, we also intend to leverage our distribution network and existing relationships to be able to increase our revenues. As of June 30, 2016, our distribution network includes over 150 dealers and channel partners. We have also set up 22 branch offices for sales and service network across the country. We intend to further expand this on continual basis for confident growth from new territory and extensive coverage. We believe that our strong marketing capabilities, wide distribution network and established relationships with our dealers and customers as well as our wide product range at various price segments will enable us to rapidly expand our dealer and customer base and provide a competitive advantage. In addition, we believe that our dealership network and proximity to dealers and markets will enable us to further improve our distribution reach and increase our brand visibility. We continue to focus on further growing our export sales.

Long-Term Strategy

Leverage our core capabilities and continue to focus on cost efficiencies

We shall continue to focus on developing new products based on innovative technology which will delight customers with improved quality and performance. We are committed to maintaining modern manufacturing facilities, which we believe improves the quality of our products, improves the efficiency in the production processes and operational. There exists immense potential in our existing line of business and we intend to maintain competitiveness of its existing business and achieve growth by capitalizing on its efficient and strong execution and implementation skills which shall help us realize our vision to evolve globally as value creator for customers.

We continue to focus on improving cost efficiencies and rightsizing and optimising the manufacturing process. We have implemented a number of measures targeted at increasing the operational efficiency, optimising costs, reducing inventory, consolidating manufacturing capacities and reducing waste. We also intend to introduce cross functional projects in order to have optimal materials consumption, energy savings and improve throughput.

Continue to focus on engineering and development

Engineering and development forms an integral part in our growth strategy. We provide an extensive range of assistance that complements our ability to efficiently manufacture all of our customer requirements. We have a dedicated team for carrying out in-house engineering design and development activities. Our strong in-house design division which is actively engaged in design development, validation and optimization, has professionals with required

skill sets and competencies in line with market needs and customer expectations. The aforementioned engineering design and development capabilities enable us to develop new products and modify our existing range of products to meet the market requirements.

Our Company constantly invests in new methods, techniques and processes. We train and re-train our engineers on a continuous basis to have contemporary skill sets and expertise.

SUMMARY FINANCIAL INFORMATION

The following selected information is extracted from and should be read in conjunction with our Audited Standalone and Consolidated Financial Statements and notes thereto prepared in accordance with Indian GAAP, each included elsewhere in this Preliminary Placement Document.

SUMMARY OF STANDALONE BALANCE SHEET

(₹ in Lacs)

	Particulars	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
	EQUITY AND LIABILITIES			
(1)	**Shareholders' funds**			
(a)	Share capital	6,391.78	6,913.85	5,052.14
(b)	Reserves and surplus	(4,680.42)	(2,089.45)	10,410.71
		1,711.36	**4,824.40**	**15,462.85**
(2)	**Non - current liabilities**			
(a)	Long term borrowings	7,890.33	5,578.45	6,531.84
(b)	Other long term liabilities	1,481.58	1,770.52	1,334.24
(c)	Long term provisions	1,677.55	1,547.44	1,351.22
		11,049.46	**8,896.41**	**9,217.30**
(3)	**Current liabilities**			
(a)	Short term borrowings	14,422.09	15,681.14	13,673.33
(b)	Trade payables	18,226.64	18,944.59	27,919.66
(c)	Other current liabilities	9,873.60	7,771.78	6,736.79
(d)	Short term provisions	2,950.44	2,538.65	737.17
		45,472.77	**44,936.16**	**49,066.95**
TOTAL		**58,233.59**	**58,656.97**	**73,747.10**
	ASSETS			
(1)	**Non - current assets**			
(a)	Fixed assets			
	(i)Tangible assets	8,419.53	8,864.36	11,899.33
	(ii) Intangible assets	53.52	87.29	57.47
	(iii)Capital work in progress	14.25	165.78	165.57
(b)	Non - current investments	6,536.01	6,534.01	19,142.12
(c)	Deferred tax assets (net)	-	-	-
(d)	Long term loans and advances	2,017.54	1,891.61	1,953.12
(e)	Other non-current assets	12,824.53	13,960.30	151.91
		29,865.38	**31,503.35**	**33,369.52**
(2)	**Current assets**			
(a)	Inventories	9,711.15	9,294.46	15,410.60
(b)	Trade receivables	10,449.70	8,272.87	15,664.06
(c)	Cash and bank balances	2,598.03	1,983.10	5,122.86
(d)	Short term loans and advances	1,221.23	1,030.41	1,276.00
(e)	Other current assets	4,388.10	6,572.78	2,904.06
		28,368.21	**27,153.62**	**40,377.58**
	TOTAL	**58,233.59**	**58,656.97**	**73,747.10**

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

SUMMARY OF STANDALONE PROFIT AND LOSS ACCOUNT

(₹ in Lacs)

	Particulars	March 31, 2016	March 31, 2015	March 31, 2014
I	Revenue from operations	54,775.15	51,080.32	67,984.27
II	Other income	353.73	330.70	1,720.35
III	**Total revenue (I + II)**	**55,128.88**	**51,411.02**	**69,704.62**
IV	Expenses			
	Cost of materials consumed	40,596.93	34,903.70	54,823.15
	Changes in inventories of finished goods, work in progress and stock in trade	355.36	5,785.48	(2,201.19)
	Employee benefits/ expenses	7,517.43	7,557.25	7,887.83
	Finance costs	4,185.68	4,413.14	4,193.87
	Depreciation and amortization	1,101.07	1,103.81	1,171.55
	Other expenses	6,640.63	8,244.53	7,934.73
		60,397.10	62,007.91	73,809.94
	Less: expenses capitalised	-	5.57	4.59
	Total expenses	**60,397.10**	**62,002.34**	**73,805.35**
V	Loss before exceptional and extraordinary items and tax (III-IV)	**(5,268.22)**	**(10,591.32)**	**(4,100.73)**
VI	Exceptional and extraordinary items	2,155.18	(2,383.31)	-
VII	Loss before tax (V-VI)	(3,113.04)	(12,974.63)	(4,100.73)
VIII	Tax expense:			
	Current tax	-	-	0.23
IX	Loss for the period (VII + VIII)	(3,113.04)	(12,974.63)	(4,100.96)
X	Earning per equity share before exceptional item:			
	Basic & Diluted (in ₹)	(9.84)	(20.95)	(8.12)
XI	Earning per equity share after exceptional item:			
	Basic & Diluted (in ₹)	(5.82)	(25.66)	(8.12)

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

SUMMARY OF CASH FLOW STATEMENT

(₹ in Lacs)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Cash flows from operating activities			
Loss before taxation	(3,113.04)	(12,974.63)	(4,100.73)
Adjustments for:			
Depreciation and amortization	1,101.07	1,103.81	1,171.55
Provisions (net)	922.22	2,134.50	738.81
Profit on sale of fixed assets	(42.51)	(13,717.51)	(1,237.61)
Interest income	(95.02)	(107.96)	(62.54)
Investment written off	-	16,384.16	-
Dividends received	(8.52)	(6.78)	(8.70)
Exceptional item	(2,155.18)	-	
Finance costs	4,185.68	4,413.14	4,193.87
	3,907.74	**10,203.36**	**4,795.38**
	794.70	**(2,771.27)**	**694.65**
(Increase)/ decrease in trade and other receivables	641.40	3,911.95	2,751.75
(Increase)/ decrease in inventories	(416.70)	6,116.14	(1,966.14)
Increase/ (decrease) in trade payables and other current liabilities	(474.53)	(8,699.98)	4,918.42
	(249.83)	1,328.11	5,704.03
	544.87	(1,443.16)	6,398.68
Income taxes paid	181.54	46.00	54.79
Net cash from operating activities	**363.33**	**(1,489.16)**	**6,343.89**
Cash flows from investing activities			
Purchase of property, plant and equipment	(493.54)	(319.67)	(298.71)
Proceeds from sale of property, plant and equipment	65.11	1,703.04	1,247.03
Advance received for sale of asset		-	305.59
Purchase of investments	(2.00)	(9,436.00)	(3,628.13)
Proceeds from sale trust shares	2,155.18	-	
Sale of Investment	-	6,063.50	-
Interest received	81.72	89.24	75.41
Increase in margin money and short term deposits	(285.77)	(496.69)	392.57
Dividend received	8.52	6.78	8.70
Net cash from investing activities	**1,529.22**	**(2,389.80)**	**(1,897.54)**
Cash flows from financing activities			
Proceeds from long term borrowings	3,652.70	601.45	3,000.00
Repayment of long term borrowings	-	(10.95)	(25.11)
ICD's Accepted	495.00	14,856.98	14,722.00
ICD's Repaid	(1,339.30)	(14,553.00)	(15,347.26)
Issue of shares	-	2,405.05	-
Fixed deposits from public accepted	567.50	-	3,071.00
Repayment of fixed deposits from public	(1,715.70)	(1,070.14)	(1,787.50)
Increase/ (decrease) of short term borrowings (net)	(412.95)	2,330.87	(1,028.20)
Repayment of finance lease obligation	-	(9.35)	(40.61)
Finance costs	(2,810.64)	(4,308.40)	(4,188.35)
Net cash from financing activities	**(1,563.39)**	**242.51**	**(1,624.03)**
Net increase/(decrease) in cash and cash equivalents	**329.16**	**(3,636.45)**	**2,822.32**
Cash and cash equivalents at beginning of the year	1,038.66	4,675.11	1,852.79

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Cash and cash equivalents at end of the year	**1,367.82**	**1,038.66**	**4,675.11**

Cash & Cash equivalents:

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS-3), 'Cash Flow Statements'. 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	2,598.03	1,983.10	5,122.86
Less: Other bank balances	1,230.21	944.44	447.75
Cash and cash equivalents as restated	**1,367.82**	**1,038.66**	**4,675.11**

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

SUMMARY OF CONSOLIDATED BALANCE SHEET

(₹ in Lacs)

	Particulars	March 31, 2016	March 31, 2015	March 31, 2014
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' funds**			
(a)	Share capital	6,391.78	6,913.85	5,052.14
(b)	Reserves and surplus	(25,615.15)	(22,188.65)	7,158.73
		(19,223.37)	**(15,274.80)**	**12,210.87**
(2)	**Minority interest**	4.00	3.00	(302.96)
(3)	**Non - current liabilities**			
(a)	Long term borrowings	14,484.45	9,078.45	9,044.04
(b)	Other long term liabilities	1,481.57	1,770.52	1,334.24
(c)	Long term provisions	1,677.55	1,547.44	1,351.22
		17,643.57	**12,396.41**	**11,729.50**
(4)	**Current liabilities**			
(a)	Short term borrowings	14,422.09	15,681.14	21,027.42
(b)	Trade payables	18,367.17	19,054.57	30,996.55
(c)	Other current liabilities	9,878.77	7,856.25	17,107.72
(d)	Short term provisions	2,950.43	3,434.03	1,410.27
		45,618.46	**46,025.99**	**70,541.96**
	TOTAL	**44,042.66**	**43,150.60**	**94,179.37**
II.	**ASSETS**			
(1)	**Non - current assets**			
(a)	Fixed assets			
	(i)Tangible assets	8,450.07	8,895.44	15,125.88
	(ii) Intangible assets	784.11	922.21	1,444.85
	(iii) Capital work in progress	14.25	165.78	239.67
		9,248.43	**9,983.43**	**16,810.40**
(b)	Goodwill on consolidation	-	-	17,151.34
(c)	Non - current investments	81.09	81.09	187.81
(d)	Deferred tax assets (net)	-	-	2,174.96
(e)	Long term loans and advances	1,971.85	2,064.29	1,773.12
(f)	Other non current assets	450.50	292.01	151.91
		11,751.87	**12,420.82**	**38,249.54**
(2)	**Current assets**			
(a)	Inventories	9,756.83	9,340.14	23,378.33
(b)	Trade receivables	16,832.79	16,556.95	20,001.59
(c)	Cash and bank balances	2,620.52	2,010.84	7,288.74
(d)	Short term loans and advances	1,222.84	1,031.84	1,926.94
(e)	Other current assets	1,857.81	1,790.01	3,334.23
		32,290.79	**30,729.78**	**55,929.83**
	TOTAL	**44,042.66**	**43,150.60**	**94,179.37**

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Lacs)

	Particulars	March 31, 2016	March 31, 2015	March 31, 2014
I	Revenue from operations	54,775.15	51,034.64	99,103.24
II	Other income	353.73	1,300.06	2,943.88
III	**Total revenue (I + II)**	**55,128.88**	**52,334.70**	**102,047.12**
IV	Expenses			
	Cost of materials consumed	40,596.93	30,048.89	70,456.58
	Changes in inventories of finished goods, work in progress and stock in trade	355.37	10,594.59	(44.72)
	Employee benefits/ expenses	7,517.46	7,557.25	19,834.81
	Finance costs	4,860.77	4,546.65	4,938.75
	Depreciation and amortization	1,205.95	1,208.34	2,041.33
	Other expenses	6,696.15	10,887.08	14,640.78
		61,232.63	64,842.80	111,867.53
	Less: expenses capitalised	-	5.57	97.49
	Total expenses	**61,232.63**	**64,837.23**	**111,770.04**
V	**Loss before exceptional and extraordinary items and tax (III-IV)**	6,103.75	12,502.53	9,722.92
VI	Exceptional Items	(2,155.18)	11,501.35	-
VII	Loss before tax (V + VI)	3,948.57	24,003.88	9,722.92
VIII	Tax expense:			
	(1) Current tax	-	-	62.77
	(2) Deferred tax	-	-	(141.13)
		-	-	**(78.36)**
IX	Loss after tax and before share of income from associates and minority interest	3,948.57	24,003.88	9,644.56
X	Adjustments:			
	Share of loss/(profit) in associates (net of tax)	-	27.85	26.27
	Minority Interest	-	-	246.55
		-	27.85	(220.28)
XI	Loss for the year (IX + X)	**3,948.57**	**24,031.73**	**9,424.28**
XII	Earning per equity share before exceptional item:			
	Basic & diluted	(11.40)	(24.78)	(18.65)
XIII	Earning per equity share after exceptional item:			
	Basic & diluted	(7.38)	(47.53)	(18.65)

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

(₹ in Lacs)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Cash flows from operating activities			
Profit / (Loss) before taxation	(3,948.57)	(24,031.73)	(9,424.28)
Less: Tax expense	-	-	(78.36)
	(3,948.57)	**(24,031.73)**	**(9502.64)**
Adjustments for:			
Depreciation and Amortisation	1,205.95	1,208.34	2,041.33
Provisions (net)	26.84	2,819.44	31.75
(Profit)/loss on sale of fixed assets	(42.51)	307.27	(1,224.29)
Share of income from associates	-	27.85	26.27
Effect on exchange fluctuations	-	-	51.63
Exceptional item	(2,155.18)	11,501.35	-
Interest income	(95.02)	(107.96)	(64.77)
Dividends received	(8.52)	(6.78)	(7.03)
Finance costs	4,860.77	4,546.65	4,938.75
	3,792.33	**20,296.16**	**5,793.64**
	(156.24)	**(3,735.57)**	**(3,709.00)**
(Increase)/ decrease in trade and other receivables	(1,126.34)	(882.89)	2,871.69
(Increase)/ decrease in inventories	(416.69)	6,070.46	(779.93)
Increase/ (decrease) in trade payables and other current liabilities	(450.97)	(5,939.46)	6,189.00
	(1,994.00)	**(751.89)**	**8,280.76**
	(2,150.24)	**(4,487.46)**	**4,571.76**
Income taxes paid	181.55	46.00	415.59
Net cash from operating activities	**(2,331.79)**	**(4,533.46)**	**4,156.17**
Cash flows from investing activities			
Purchase of property, plant and equipment	(166.71)	(1,184.85)	(1,792.73)
Proceeds from sale of property, plant and equipment	65.14	1,394.57	1,659.43
Proceeds from sale of treasury stock	2,155.18		
(Increase)/decrease in other bank balances	(285.77)	1,614.65	(297.95)
Interest received	95.02	107.96	64.77
Dividend received	8.52	6.78	7.03
Net cash from investing activities	**1,871.38**	**1,939.11**	**(359.45)**
Cash flows from financing activities			
Proceeds from issue of share capital	-	2,405.05	-
Proceeds from issue of shares to minority	1.00	3.00	0.00
Proceeds from long term borrowings	6,746.82	1,517.07	4,843.79
Repayment of long term borrowings	-	-	(1,499.22)
Proceeds from ICD's	495.00	14,856.98	14,722.00
Repayment of ICD's	(1,339.30)	(14,553.00)	(15,347.26)
Fixed deposits from public accepted	567.50	-	3,071.00
Repayment of fixed deposits from public	(1,715.70)	(1,070.14)	(1,787.50)
Increase/ (decrease) of short term borrowings (net)	(412.95)	2,330.87	(515.09)
Repayment of finance lease obligation	-	(514.40)	464.44
Finance costs	(3,558.05)	(3,932.99)	(4,929.25)
Net cash from financing activities	**784.32**	**1,042.44**	**(977.09)**

Particulars	March 31, 2016	March 31, 2015	March 31, 2014
Net increase/(decrease) in cash and cash equivalents	323.91	(1,551.91)	2,819.63
Cash and cash equivalents at beginning of the year	1,066.40	4,729.65	1,910.02
Adjustment for cash balance on account of loss of control in subsidiary	-	2,111.34	
Cash and cash equivalents at end of the year	**1,390.31**	**1,066.40**	**4,729.65**

Cash & 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	2,620.52	2,010.84	7,288.74
Less: Other bank balances	1,230.21	944.44	2,559.09
Cash and cash equivalents as restated	**1,390.31**	**1,066.40**	**4,729.65**

Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to the current year's classification.

RISK FACTORS

*This offering and an investment in Equity Shares involve a high degree of risk. This section describes the risks that we currently believe may materially affect our business and operations. You should carefully consider the following, in addition to any forward-looking statements and the cautionary statements and other information contained in this Preliminary Placement Document, before making any investment decision relating to the Equity Shares. Prospective investors should read this section in conjunction with the sections "**Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations** ", as well as other information including the financial statements, the notes thereto, and other financial and statistical information contained in this Preliminary Placement Document. The occurrence of any of the following events, or the occurrence of other risks that are not currently known or are now deemed immaterial, could cause our business, results of operations, cash flows, financial condition and prospects to suffer and could cause the market price of our Equity Shares to decline or fall significantly and you may lose all or part of your investment.*

The risks described below are not the only ones in relation to us or the Equity Shares. Additional risks may be unknown to us and some risks that we do not currently believe to be material could later turn out to be material. Although we will seek to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, financial condition and results of operations. Investors should pay particular attention to the fact that our Company is an Indian company and is subject to a legal and regulatory regime which in some respects may be different from that applicable in other countries. Investors should consult tax, financial and legal advisors about the particular consequences of an investment in the Issue. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue including the merits and the risks involved.

Unless otherwise mentioned, all the references in this Chapter on the financial information of our Company for Fiscals 2016, 2015 and 2014 are based on Standalone Audited Financial Statements.

Internal Risk Factors

We are involved in certain legal and other proceedings. An adverse outcome in such proceedings may have an adverse effect on our financials.

We are currently involved in certain legal proceedings in India. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Details of the total number of material proceedings pending by and against us are mentioned below:

Litigation filed against us:

Nature of cases/claims	Number of cases outstanding	Amount involved (*₹ in Lacs)**
Civil Matter	8	555.43
Tax Matters	56	6,763.44

** To the extent quantifiable.*

Litigation filed by our Company:

Nature of cases/claims	Number of cases outstanding	Amount involved *(₹ in Lacs)**
Civil Matters	3	6,359.87
Criminal Matters	13	227.66

** To the extent quantifiable.*

For further details of these legal proceedings, please refer to chapter titled "***Legal Proceedings***" beginning on page 198.

We can give no assurance that these legal proceedings will be decided in our favour and we may incur significant expenses and management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If any new developments arise, for example, rulings against us by the appellate courts or tribunals, we may face losses and may have to make provisions in our financial statements, which could increase our expenses and our liabilities. If such claims are determined against us, there could be an adverse effect on our reputation, business, financial condition and results of operations, which could adversely affect the trading price of our Equity Shares.

Our Company has, in the past, delayed the payment of interest on the loans granted by the various lenders. In the event we fail to make timely repayments of our loans in the future, our lenders may take appropriate remedial action against us.

Our Company has, in the past, delayed the payment of interest on the loans granted by various lenders. One of the major reasons for such delay was losses in our erstwhile stepdown subsidiary, LDW, which further affected our business operations and financial condition. Subsequently, our Company has been referred to the Joint Lenders' Forum ("JLF") as per the guidelines framed by the Reserve Bank of India. The JLF has approved a restructuring package under the corrective action plan and all the participating lenders, under the JLF have entered into Master Restructuring Agreement with the Company.

Such delays, if any, in the future may be construed as a default of the loan agreement and our lenders may take appropriate remedial action against us. Some of the major consequences of such default include, demand for immediate payment thereof, enforcement of security, etc. These actions could have an impact on the finances and operations of the Company.

Statutory auditors of our Company have included certain qualifications/ observations and emphasis of matter paras in their respective audit reports of our Company.

Statutory auditors of our Company have included certain qualifications/ observations and matters of emphasis in their respective audit reports of our Company in the last five financial years immediately preceding this Preliminary Placement Document, including with respect to the Companies (Auditor's Report) Order, 2003, 2015 and 2016, as applicable, which are discussed in our standalone and consolidated financial information. For the further details, please refer to the "***Financial Statements***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 205 and 66 respectively.

If we are required to restate the accounts for any reason including due to accounting standards or regulatory requirements or otherwise, we may be required to expense all of the expenses specified in these qualifications which may result in a loss for the subsequent period or we being unable to meet our financial covenants/obligations. Further, there can be no assurance that our auditors will not qualify their opinion in the future.

We have incurred losses on consolidated and standalone basis. Continued losses in the future may have a significant adverse impact on our financial condition and may lead to further erosion of our net worth.

For Fiscal 2016, Fiscal 2015 and Fiscal 2014, on consolidated basis, we incurred losses of ₹ 3,948.57 Lacs, ₹ 24,031.73 Lacs, ₹ 9,424.28 Lacs, respectively on account of substantial losses during Fiscal 2014 and Fiscal 2013 incurred by our step down subsidiary, Lloyd Dynamowerke GmbH & Co KG ("**LDW**"). Such losses have eroded our net worth on consolidated basis. In Fiscal 2016, Fiscal 2015 and Fiscal 2014, on standalone basis, we incurred net loss of ₹ 3,113.04 Lacs, ₹ 12,974.63 Lacs, ₹ 4,100.96 Lacs, respectively. The continued investment by our Company in LDW and the losses in LDW not only have impacted our Company's financial position but also our working capital requirement. This led to financial strain on the procurement of raw materials and delay in payments to our lenders, vendors and various service providers which resulted in the increase in cost of production. LDW has since filed for liquidation and a liquidation administrator has been appointed for liquidating the assets and satisfying creditors of LDW. Further, the JLF has also formulated a restructuring package pursuant to the JLF Agreement entered into by our Company. Due to steps taken by our Company, the losses, on a standalone basis, have decreased by 76.01% in Fiscal 2016 as compared to Fiscal 2015 and it has incurred a profit after tax of ₹ 151.45 lacs, based on unaudited standalone financial results as of and for the three months ended June 30, 2016.

Our Company is not a "sick company" under SICA. Although, our Company has initiated actions to improve its operational efficiency, optimise costs, and curtail its losses, there can be no assurance that our Company will not incur further losses on consolidated and/or standalone basis in the future or that we will be able to take effective measures in a timely manner to improve our net worth or that we will be able to service our debt repayment obligations or keep our manufacturing units operational. Any further losses could have an adverse impact on the net worth and profits of our Company.

Our operations are significantly dependent on our ability to successfully identify customer requirements and preferences and gain customer acceptance for our products. If we are unable to do so, our order-book may suffer adversely.

Our future success depends significantly on our ability to ensure continued demand for our products, which requires us to continuously anticipate and respond in a timely manner to customer requirements and preferences. Further, our success is also dependent on our ability to gain customer acceptance for our current and future products. If we are unable to successfully anticipate customer requirements, or are unable to modify our current portfolio of products or develop new products, in a timely manner, we may lose market opportunities. Though we are committed to product innovation to respond to changing requirements in the electrical capital goods equipment industry, there can be no assurance that we will be successful in developing in timely manner new products that respond to such changes or changes in customer requirements and preferences or that our products would gain acceptance in our existing or new markets in a timely manner or at all. A decline in demand for our products, or an error in our forecasts of future demand, among other factors, may significantly lower our sales, lead to increase in inventory levels and also require us to sell our products at substantially marked-down prices. Moreover, failure to correctly anticipate trends and adapt to the changing technological environment may result in obsolescence of and reduced demand of our products.

Additionally, the development of new or improved products or technologies by our competitors may render our products obsolete or less competitive. To keep abreast of the most updated technology and respond effectively to changing customer preferences and requirements, we may be required to undertake additional capital expenditure and make investments to upgrade or enhance our manufacturing facilities and capabilities. Our continued engineering and development efforts towards upgrading and developing contemporary technologies for manufacturing updated electrical capital goods equipment at competitive prices may not be successful or may not fructify into successful commercial production in a timely manner or at all.

We may be subject to risks associated with rejection of supplied products and consequential claims including product liability, warranty and recalls.

We are subject to risks and costs associated with product liability, warranties and recalls, supply of defective products, parts, or related after-sales services provided by us. Defects, if any, in our products could lead to rejection of supplied products and consequential financial claims and could require us to undertake service actions. We are currently not covered by insurance for any product liability claims and hence any such liability could have an adverse impact on our results of operations. Though there have not been any significant rejection and claims experienced by our Company in past, we cannot assure you that no such claims will be made against us in the future or that such claims will be settled in our favour. Any product liability claims against us could generate adverse publicity, leading to a loss of reputation, customers and/or increase our costs, thereby materially and adversely affecting our business, results of operations, financial condition and cash flows.

If we are unable to maintain and enhance the brand 'Kirloskar Electric', the sales of our products may suffer, which could have a material adverse effect on our profitability and results of operations.

We believe that our brand image plays a significant role in the success of our business and attracting customers. We manufacture and sell our products under the brand *'Kirloskar Electric'*. The ability to differentiate our brand and products from that of our competitors through our promotional, marketing and brand building initiatives is an important factor in attracting customers. Maintaining, enhancing and protecting our brand image may require us to undertake significant expenditures and make investments in areas including advertising and marketing. If our initiatives in any of these areas are not effectively implemented or our products fail to find acceptance with our existing and potential customers resulting in loss of customer confidence in our brand for any reason, our ability to attract and retain customers could be adversely affected.

Additionally, as we enter newer markets and face increased competition in our existing and newer markets, maintaining, enhancing and protecting our brand image may become more difficult and may require additional expenditure and investments. Our reputation and brand image may also be hampered or negatively impacted by the presence or availability of spurious products sold under our brand or any adverse publicity in such markets. Further, any damage caused on account of our products or any adverse publicity related to our products may negatively impact our reputation and business. Our ability to maintain customer loyalty and to enhance our brand image will be largely dependent on our ability to sustain our position in the market to successfully anticipate and respond to customer requirements and demand in a timely and consistent manner, maintain the quality of our offerings and ensure adequate awareness of our brand. We cannot assure you that we will be successful in achieving all or any of these in an effective manner, or at all. If we are unable to maintain and enhance our brand image, our results of operations may suffer and our business may be harmed.

We may infringe the intellectual property rights of others which could adversely affect our competitive position.

Our Company undertakes regular updation and modification of our offerings to keep abreast with prevalent technology. Given the nature of our products, we cannot assure you that our products do not or will not inadvertently infringe valid third party intellectual property rights. Although we take all precautions to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing any existing third-party intellectual property rights in the technologies we use in our manufacturing processes. Any such infringements may force us to alter our technologies, obtain licenses or cease some of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. If such claims are raised, those claims could adversely affect our relationships with current or future customers, result in costly litigation, cause product shipment delays or stoppages, divert management's attention and resources, subject us to significant liabilities, require us to enter into potentially expensive royalty or licensing agreements or may even require us to cease certain activities.

Further, if we do not register any of the designs developed by us under the Designs Act, 2000, or if we do not obtain patent registrations for any of our products, it would be difficult for us to enforce our intellectual property rights in any of these designs or products, in the event our competitors or other companies in the electrical equipment industry copy our designs or develop and market products manufactured using the same or similar technology as our electrical equipment. If our competitors are successful in copying our designs or technology used in our products, our sales may decrease and our revenues, results of operations and financial condition will be negatively impacted. Further, if we fail to protect our intellectual property, including our trademarks and trade secrets, our business and financial condition may be adversely affected.

In addition, in certain cases, our customers share their intellectual property rights in the course of the product development process that we carry out for them. If our customer’s intellectual property rights are misappropriated by our employees in violation of any applicable confidentiality agreements, our customers may seek damages and compensation from us. This could have an adverse effect on our business, financial condition and results of operations and damage our reputation.

We are dependent on third party suppliers for continued supply of raw materials, the availability and cost of which may adversely affect our business, financial condition, results of operations and prospects.

Our ability to manufacture and make timely deliveries of our products is dependent on the availability and cost of raw materials. We rely on third-party suppliers for our primary raw materials like iron & steel, copper, aluminium and other raw materials. As on March 31, 2016 and for the three months period ended June 30, 2016, the consumption of raw materials, stores, spare parts and components used in our manufacturing business contributed to 74.12 % and 76.29% of our revenue from operations, respectively. We procure our raw materials, majorly from domestic suppliers. While we are not dependent on any particular raw material supplier, raw material supply and pricing can be volatile due to a number of factors beyond our control, including global demand and supply, transportation and labour costs, labour unrest, natural disasters, competition, import duties, tariffs and currency exchange rates, and any unanticipated variation in any of these factors could have a material adverse effect on our operations.

The price and availability of such raw materials may fluctuate significantly, depending on many factors, including increase in transportation costs, inability to meet our demand within the requisite time, increase in prices of the metals used by us, increase in charges of the machining workshops. We generally do not enter into long agreements to supply raw materials and other requirements for our products. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased costs of goods sold that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

If we are unable to obtain adequate supplies of raw material in a timely manner or on commercially acceptable terms, or if there are significant increases in the prices of the raw materials, our business and results of operations may be materially and adversely affected. To the extent that we are unable to secure adequate supplies of raw material which meet our quality standards, or are unable to pass on the price increases to our customers, our profitability and prospects may be impaired.

Our reliance on third parties such as carrying and forwarding agents for the delivery of our finished products exposes us to certain risks.

We rely on third parties for the performance of certain functions and services, including delivery of our finished products. Our ability to identify and build relationships with reliable carrying and forwarding agents not only helps us manage our inventory successfully but also other aspects of our operations. We have appointed third party carrying and forwarding agents for carrying out our delivery functions. We do not have long term contracts with majority of our carrying and forwarding agents for deliveries of our products to dealers. Although we believe our relationships with our carrying and forwarding agents have been satisfactory thus far, there can be no assurance that we will not experience disruptions in their services in the future.

Factors such as the financial instability of carrying and forwarding agents, non-compliance with applicable laws, trade restrictions, labour disputes, severe weather, political uncertainty, terrorist attacks and lack of adequate transport capacity and product handling capabilities and cost may disrupt our distribution chains, which may result in increased costs, damage to our finished products or delivery delays, which may in turn harm our reputation with our customers. While we maintain insurance policies to cover certain of these risks, we cannot assure you that such insurance will be adequate to cover the loss or that any claim that we make under these insurance policies will be honoured in full or in part, or on time. A significant disruption in our storage facilities or delivery may, in turn, disrupt our operations and adversely affect our inventory management, business and financial condition.

We are subject to stringent labour laws or other industry standards and any strike, work stoppage or increased wage demand by our employees or any other kind of disputes with our employees could adversely affect our business, financial condition, results of operations and cash flows.

Our manufacturing activities are labour intensive, which requires our management to undertake significant labour interface, and expose us to the risk of industrial action. As at June 30, 2016, we had 884 workmen and 553 contract labourers. We are also subject to a number of stringent labour laws that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Our Company has recognized registered labour unions at our manufacturing facilities. There can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our work force such as strikes, work stoppages or increased wage demands, which may adversely affect our business.

While we consider our relations with our employees to be amicable and we presently are not involved in any dispute with our workforce, the employees at our manufacturing units, we have experienced certain disputes in the past. For instance, we have faced labour disruptions as a result of which the manufacturing operations at our manufacturing unit 16, situated at GAT No. 309/1, 319/2, 317, 318, Village Kondapuri, Nagar Road, Shirur, Pune were temporary suspended from August 18, 2015 till January 14, 2016. We have settled the dispute with the concerned labour union and resumed our operation from January 15, 2016. If labour laws become more stringent or are more strictly enforced, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have an adverse effect on our business, financial condition, results of operations and cash flows.

We also enter into contracts with independent contractors who, in turn, engage on-site contract labour to perform certain operations. Although we generally do not engage such labour directly, it is possible under Indian law that we may be held responsible for wage payments to the labour engaged by contractors should the contractors default on wage payments. Any requirement to fund such payments will adversely affect us, our business, financial condition, results of operations and cash flows.

The loss or shutdown of operations at our manufacturing facility may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing facilities are subject to various operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. Further, our results of operations are also dependent on the successful operation of our manufacturing facility. Long periods of business disruption could result in a loss of customers. Although we take precautions to minimize the risk of any significant operational problems at our manufacturing facility, our business, financial condition and results of operations may be adversely affected by any such disruptions in future.

Our business is dependent on a continuing relationship with our customers, with whom we have not entered into long-term contracts. Any reduction or interruption in the business of a key customer, or a substantial decrease in orders placed by a key customer may have an adverse impact on our total income and operations.

We do not have any long-term contracts obliging any of our customers to purchase our products and/or services in the future. Since we cater to various industries such as power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries, our growth is majorly dependent on the growth of these sectors. Our top 10 customers constitute over 25% and 30% of gross revenue from operations for Fiscal 2016 and for the three months period ended June 30, 2016, respectively, on standalone basis. There is no assurance that we will be able to maintain historic levels of business from all of our existing customers or to retain our existing customers, or that we will be able to replace our customer base in a timely manner or at all, in the event our existing customers do not continue to purchase products and/ or services from us for any reason. The loss of, or interruption of work by, a significant customer or a number of significant customers may have an adverse effect on our total income and operations, including an interruption or partial or total work stoppage at our manufacturing facilities.

We sell our products in a highly competitive industry. An inability to compete effectively may lead to a lower market share or reduced operating margins.

The electric capital goods equipment manufacturing industry is highly competitive, both in India and abroad. As a result, to remain competitive in the market, we must continuously strive to reduce our production and distribution costs and improve our operating efficiencies. If we fail to do so, our competitors may be able to sell their products at prices lower than ours, which may have an adverse effect on our market share and results of operations.

We face competition from other manufacturers, traders, suppliers and importers of electrical capital goods equipment in relation to our offerings, in the organized and unorganized sectors. Many of our competitors may be equal to or larger than us and may benefit from greater economies of scale and operating efficiencies. Suppliers in the electrical capital goods equipment industry compete based on key attributes including technical competence, product quality, strength of sales and distribution network, pricing and timely delivery. There is no assurance that we can continue to effectively compete with such manufacturers/competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations. Moreover, the competitive nature of the manufacturing industry may result in lower prices for our products and decreased gross profit margins, either of which may materially adversely affect our sales and profitability. We will be required to compete effectively with our existing and potential competitors, to maintain and grow our market share and in turn, our results of operations.

Depending upon our product range, we have medium to long term working capital cycles and consequent working capital requirements. If we are unable to effectively manage our working capital cycles or generate sufficient cash

flow to satisfy any increased working capital requirements and make required payments for our business, our results of operations may be negatively impacted.

Our business is capital intensive including working capital requirement for sourcing our raw materials and manufacturing our products before we receive payments from our customers. Our working capital requirements may also increase in the event we undertake a large number of simultaneous orders in the event of growth in our business.

In certain cases our sales require us to incur significant amounts of working capital on account of contractual terms stipulating payments to be made after delivery and such payments may at times be delayed. Additionally, raw material procurements are against letters of credit in favour of our suppliers to secure our payment obligations, if we are unable to provide sufficient collateral to secure such letters of credit or performance guarantees, our ability to enter into contracts for sales of our products, or obtain adequate raw material supplies may be restricted. As we expand our operations, we will require additional working capital to secure such letters of credit and/or performance guarantees.

Extended working capital cycles, particularly those involving delay in payments from our customers further increase our working capital requirements. Although, our annual sales policy and contracts cap the credit cycle of such dealers, our dealers may take further period to make payments. Further, the number of holding days required for realizing our trade receivables have increased during Fiscal 2016, as compared to holding days required for realizing our trade receivables during Fiscal 2015. While we are in the process of implementing measures to improve our inventory management and rationalize our working capital cycle, we may be unable to adequately finance our working capital requirements on account of various factors, including extraneous factors such as increased interest rates, insurance or other costs, or borrowing and lending restrictions, on commercially acceptable terms or at all, which may have a material adverse effect on our business, financial condition, prospects and results of operations.

We are subject to various law and regulations, in jurisdictions where we operate, including environmental and health and safety laws and regulations, which may subject us to increased compliance costs, which may in turn result in an adverse effect on our financial condition.

Our operations are subject to various international, national, state and local laws and regulations, which are subject to laws specific to the industry in which we operate, as well as laws generally governing business in India, including those relating to the protection of the environment and occupational health and safety, including those governing the generation, handling, storage, use, management, transportation and disposal of, or exposure to, environmental pollutants or hazardous materials resulting from our manufacturing processes. For instance, we require approvals under the Water Act and the Air Act in order to establish and operate our manufacturing facilities in India, and registrations with the relevant tax and labour authorities in India. There can be no assurance that the relevant authorities will issue such permits or approvals in the timeframe anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Additionally, we are required to renew certain licenses and government approvals after a certain interval of time and adhere to the terms and conditions provided for under the statutory and regulatory permits and approvals, some of which may require us to undertake substantial compliance-related expenditure. Breach or non-compliance with specified conditions may result in the suspension, withdrawal or termination of our approvals and registrations or the imposition of penalties by the relevant authorities. While we are not aware of any outstanding material claims or obligations, we may incur substantial costs, including clean up or remediation costs, fines and civil or criminal sanctions, and third-party property damage or personal injury claims, as a result of violations of or liabilities under environmental or health and safety laws or noncompliance with permits required at our facilities, which, as a result, may have an adverse effect on our business, financial condition and cash flows.

Further, any change in or expansion of the scope of the regulations governing our environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other additional costs to address environmental incidents or external threats. Our inability to control the costs involved in complying with these and other relevant laws and regulations could have an adverse effect on our business, financial condition, results of operations and cash flows.

We have contingent liabilities and our financial condition could be adversely affected if any of these contingent liabilities materializes.

As of March 31, 2016, the contingent liabilities amounting to ₹ 30,849.27 lacs is disclosed in the notes to our audited financial statements. Set forth below are our contingent liabilities as of March 31, 2016:

(₹ in Lacs)

Nature of contingent liability	Amount
Claims against our Company not acknowledged as debts	1,740.51
Guarantees	2,879.21
Letters of credit	8,239.20
Bills discounted with bank	1,207.81
Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bengaluru quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of ₹ 46.18 lacs paid has been included in disputed statutory dues and our Company is confident of receiving the refund from the PF authorities.	Nil
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 our Company.	365.54
Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to ₹ 2,836.95 lacs and Maharashtra Value Added Tax, 2002 amounting to ₹399.46 lacs which are disputed by our Company before the Appellant authorities for wrong demand raised, pending revision). Our Company has paid an aggregate amount of ₹ 658.88 lacs (as at March 31, 2015 ₹ 643.46 lacs) against the demand which has been included in disputed statutory dues.	5,269.65
Our Company has filed before the Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with our Company) and confirmed by the honourable High Court of Karnataka. Our Company has paid an aggregate amount of ₹ 479.23 lacs (as at March 31, 2015 ₹ 369.23 lacs) against the demand which has been included in disputed statutory dues as reported in Note 16.	889.37
Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	208.21
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
Interest if any, on account of delays in payment to suppliers.	Not Ascertainable
Certain industrial disputes are pending before various judicial authorities – not acknowledged by our Company.	0.90
Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by our Company.	1,370.49
The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Limited to an extent of ₹ 200 lacs (as at March 31, 2015 ₹ 200 lacs) and had obtained counter guarantee from the said company. The preference shareholder has claimed a sum of ₹ 200 lacs along with dividends in arrears of ₹ 205.60 lacs and interest from our Company. This claim has been upheld by the Debt Recovery Tribunal ("DRT"). Our Company has preferred an appeal before the Debt Recovery Appellate Tribunal ("DRAT") to set aside the orders passed by the DRT. Our Company has deposited during the year ₹ 102.80 lacs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. Our Company does not acknowledge this liability.	405.60
Arrears of fixed cumulative dividends on preference shares (including tax thereon)	1,164.66
Corporate Guarantee given to its wholly owned subsidiary	6,594.12

Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per master restructuring agreement.	514.00

The contingent liabilities identified under "*Claims against the Company not acknowledged as debts*" include contingent liabilities of about ₹ 959.72 lacs arising out of legal proceedings. In the absence of supporting documents, this amount is being carried forward in the audited financial statements of the Company.

In the event that any of the contingent liabilities materialize, our financial condition may be adversely affected.

The success and wide acceptability of our products is largely dependent upon certain quality accreditations which are valid for a limited time period and regular inspections by our customers. An inability to ensure the renewal of these quality accreditations in a timely manner or at all or to conduct tests to the satisfaction of our customers may adversely affect our business prospects and financial performance.

Our business requires obtaining and maintaining quality certifications and accreditations from independent certification entities as well as some of our customers. As on date of this Preliminary Placement Document, our manufacturing units 5, 7, 1, 2 and 25 situated at Mysore, Tumkur, Govenhalli and Hubli, respectively are accredited with ISO 9001:2008 certification. Further, our manufacturing unit situated at Pune is accredited with ISO: 9001: 2008, ISO 14001:2004, and BS OHSAS 18001: 2007 certification which has been issued by Bureau Veritas Verification in recognition of our business and safety procedures. We also comply with prescribed specifications and standards of quality in connection with the products we manufacture. Such specifications and standards of quality is an important factor in the success and wide acceptability of our products.

In addition, many of our customers require that we regularly test of our products before shipping. Often, our customers also send their representatives to our premises to witness such tests. If we fail to perform these inspection tests to the satisfaction of our customers, our products may be rejected.

If we fail to comply with applicable quality standards or if the relevant accreditation institute or agency declines to certify our products, or if we are otherwise unable to obtain such quality accreditations in the future, within time or at all, our business prospects and financial performance will be materially and adversely affected.

Our business exposes us to potential product liability claims and recalls, which could adversely affect our financial condition and performance.

Manufacturing of electrical capital goods equipment's involve an inherent risk of exposure to product liability claims, product recalls, product seizures and related adverse publicity. Such products are subject to significant regulatory scrutiny in many jurisdictions. There can be no assurances that we will not become subject to product liability claims or that we will be able to successfully defend ourselves against any such claims. The outcome of litigation and other legal proceedings that we may be involved in the future is difficult to assess or quantify.

Due to the inherent uncertainty of the litigation process, the litigation process could require additional time and effort of our management. A product liability claim or judgment against us could also result in substantial and unexpected expenditures, affect consumer or customer confidence in our products, and divert management's attention from other responsibilities. A product recall or a partially or completely uninsured product liability judgment against us could have a material adverse effect on our reputation, results of operations and financial condition.

We incur investments from time to time on our engineering and developments including and not limited to developing our in-house technologies and processes, as our manufacturing process is dependent on a technology driven production system. Any inability to successfully develop or procure specialized technology or not able to derive adequate benefits from such investments, will adversely affect our business, financial condition, result of operations and cash flows.

We operate in the industry which requires continuous technology upgrade and research activities to stay ahead of the market. Manufacturing of electrical capital goods equipment is a critical and technology driven manufacturing process, which requires us to continuously invest in developing technologies, enhancing designing capabilities and undertaking

engineering and development activities. We will continue to make investments on engineering and developments including and not limited to developing our in house technologies and processes as we depend significantly on such processes for upgrading our technologies and processes from time to time. These engineering and developments activities are critical since it may improve our profitability, if the same proves to be successful. We cannot guarantee that these engineering and developments activities will not become obsolete.

Changes in industry requirements or in competitive technologies may render certain of our products obsolete or less effective and require us to procure or develop updated technology for which we may need to, in future, execute strategic arrangements with patent holders of patented technology or other partners. We cannot assure you that we will be able to enter into any such technical assistance agreements or otherwise secure the necessary technological knowledge, which will allow us to develop products and to expand our product portfolio in a suitable manner. If we are unable to obtain such knowledge in a timely manner, or at all, we may be unable to effectively implement our strategies, and our business, financial condition, results of operations and cash flows may be adversely affected.

Our success is dependent on our marketing abilities and arrangements with our distributors for the sale and distribution of our products. Any disruption in our marketing arrangement will adversely affect our sales and results of operations.

We have a network of marketing and sales team at various locations including Sharjah, Singapore and Kuala Lumpur. As on June 30, 2016, we have network of over 150 dealers and 22 sales and branch offices pan India. Our products are exported to several countries. If any third party in our sales channels treats our competitors' products more favourably than ours, or stops selling our products, and if we are unable to find appropriate substitutes, our business, financial condition and results of operations may be adversely affected. Any inability by our distributors to sell our products would have an adverse effect on our operations. Our reliance on, and inability to control, local sale, marketing and distribution agents could adversely affect our business, financial condition and results of operations. We may not be able to find suitable partners or successfully enter into arrangements on commercially reasonable terms or at all. Additionally, our distribution agents may make important marketing and other commercial decisions concerning our products without our input. As a result of these arrangements, many of the variables that may affect our business, are not exclusively within our control. If our competitors provide greater incentives to our partners, our partners may choose to promote the products of our competitors instead of our products.

Our business and results of operations could be adversely affected if we fail to maintain adequate inventory levels or if there is a sharp decline in demand leading to inventory build-up.

We are required to maintain substantial inventories to accommodate the needs of our customers, including short lead times and just-in-time delivery requirements. Although we may in certain cases receive customer orders prior to placing raw material orders, our operations also involve effective anticipation and forecast of customer demands for our various market segments. We purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers, based upon orders, customers volume expectations, historic buying practices and market conditions. If we underestimate the demand for our products, we may experience inventory shortages. Inventory shortages might result in unfulfilled orders which may negatively impact customer relationships. Conversely, if there is a decline in the economic activity, our customers may cancel orders placed by them with us which may lead to inventory pile-ups. If any of these circumstances arise, it could result in loss of revenues and profits which could adversely affect our business and results of operations.

Some agreements entered into by our Company with various parties are not stamped and some are not adequately stamped. The said agreements may not be admissible as evidence in a court of law, until the relevant stamp duties are paid and the relevant registration, if required, is done.

Some of the leave and license and lease deeds/agreements entered into by our Company with various parties for our leasehold properties are not stamped and some are not adequately stamped. The potential consequence of this could be that the said agreements may not be admissible as evidence in a court of law, until the relevant stamp duties are paid, if required, and the required registration is done. As on the date of this Preliminary Placement Document, our Company has not initiated / been party to any litigation in this regard. In the interim, any claim or adverse order/finding in connection with these agreements could adversely affect the operations of our Company.

We experienced negative cash flows in recent financial periods and may experience such negative cash flows in the future. An inability to generate sufficient cash flows in the future may adversely affect our business operations and financial performance.

We had negative cash flows from operating activities in Fiscal 2015 primarily due to decrease in trade and other receivables and inventories, negative cash flow from investing activities in Fiscal 2015 and Fiscal 2014 due to purchase of fixed assets and investments in subsidiaries and negative cash flows in financing activities in Fiscal 2016 and Fiscal 2014 due to repayments towards fixed deposits, borrowings and finance cost.

(₹ in Lacs)

Particulars	Fiscal 2016	Fiscal 2015	Fiscal 2014
Net cash from/ (used in) operating activities	363.33	(1,489.16)	6,343.89
Net cash from/ (used in) investing activities	1,529.22	(2,389.80)	(1,897.54)
Net cash from/ (used in) financing activities	(1,563.39)	242.51	(1,624.03)
Net increase/ (decrease) in cash and cash equivalents	329.16	(3,636.45)	2,822.32

Cash flow is a key financial indicator of cash generated from operations to meet our capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows in the future, it may adversely affect our business prospects and financial performance.

We have, in the past, entered into related party transactions and may continue to do so in the future and there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.

We have entered into transactions with several related parties in the past. For the financial year ended March 31, 2016, out of ₹ 54,775.15 lacs of our revenue from operations, ₹ 157.56 lacs is related to transactions with related parties, and for the year ended March 31, 2016, out of ₹ 60,397.10 lacs of our total expenses, ₹ 530.61 lacs relates to transactions with related parties.. For further details on our related party transactions, see "***Financial Statements***" beginning on page 205.

Whilst we believe that all our related party transactions have been conducted on an arms-length basis and contain commercial terms, there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. Further, the transactions we have entered into, or any future transactions with our related parties, have involved or may potentially involve conflicts of interest. It is likely that we will continue to enter into related party transactions in the future and we cannot assure you that such transactions, individually or in the aggregate, will not adversely affect our financial condition and results of operations.

Our Company has certain credit facilities including unsecured loan that are repayable on demand. Any unexpected demand for repayment of such facilities by the lenders may adversely affect our business, financial condition, cash flows and result of operations.

Our Company has availed certain credit facilities including unsecured loan that are repayable on demand to the lenders. For further details of the outstanding secured borrowings of the Company including facilities repayable on demand and amounts outstanding thereof as on March 31, 2016, please see "***Financial Statements***" beginning on page 205. In the event that the lenders of such loans call in these loans, alternative sources of financing may not be available on commercially reasonable terms, or at all. Any such unexpected demand for repayment may materially and adversely affect our Company's cash flows, business, financial condition, results of operations and cash flows.

The terms under which credit facilities are availed by us from our lenders contain restrictive covenants and may be altered by the bank at any time without assigning any reason.

Pursuant to the loan facilities availed by us, the terms under which credit facilities are availed contain restrictive covenants and may be altered by the bank at any time without assigning any reason. We cannot assure you that we will have adequate funds at all times to repay this credit facility and may also be subject to demands for the payment of penal interest. Moreover, our ability to borrow and the terms of our borrowings depend on our financial condition, the stability of our cash flows and our capacity to service debt in a rising interest rate environment. We may not be

successful in obtaining these additional funds in a timely manner, or on favourable terms or at all, which could adversely affect our results of operations.

The restrictive covenants contained in the agreement with our lenders include a requirement of obtaining prior written consent for incurring capital expenditure for major expansion/diversification/modernization, entering into any borrowing arrangements with other banks, financial institutions and/or any other parties, effecting mergers and acquisitions and certain other corporate actions. While we have obtained relevant consents and waivers from such lenders in relation to this Issue. there can be no assurance that we will be able to comply with these financial or other covenants, or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. These restrictive covenants may affect some of the rights of our shareholders. Our current financial obligations as well as any additional financing that we require to fund our capital expenditures may, if met by way of additional debt financing, place restrictions on us which may, among other things, increase our vulnerability to general adverse economic and industry conditions; limit our ability to pursue our growth plans; require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, meet working capital requirements and use for other general corporate purposes; and limit our flexibility in planning for, or reacting to changes in our business and our industry, either through the imposition of restrictive financial or operational covenants or otherwise.

Increase in interest rates may materially impact our results of operations.

As on March 31, 2016, we had total borrowings of ₹ 25,775.97 Lacs. Majority all of our borrowings carry interest at floating rates or at rates that are subject to adjustments at specified intervals. We are exposed to interest rate risk in respect of contracts for which we have not entered into any swap or interest rate hedging transactions, although we may decide to engage in such transactions in the future. We may further be unable to pass any increase in interest expense to our existing customers. Any such increase in interest expense may have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, if we decide to enter into agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially reasonable terms, that our counterparties will perform their obligations, or that these agreements, if entered into, will protect us fully against our interest rate risk.

There can be no assurance that we may be able to successfully undertake future acquisitions or efficiently manage the businesses we have acquired or may acquire in the future.

If we enter into acquisitions, partnerships or exploration of mutual interests with other parties in the future to expand our geographical reach through such acquisitions, we may not be able to identify or conclude appropriate or viable acquisitions in a timely manner. In the past we have incurred losses on our acquisitions and such accumulated losses have eroded our net worth on consolidated basis. The success or failure of our past acquisitions and any future acquisitions depend upon several factors, including our ability to identify and acquire businesses on a cost-effective basis, ability to integrate acquired personnel, operations, products and technologies into our organization effectively, unanticipated problems or legal liabilities of the acquired businesses and tax or accounting issues relating to such acquired businesses.

There can be no assurance that we will be able to achieve the purpose of such an acquisition or operational integration or an acceptable return on such an investment.

Some of our Company's records relating to filings made with the registrar of companies by our Company for the period between 1946 – 2003 are not traceable.

Our Company is unable to locate some of the corporate records which include copies of filings made by our Company with the Registrar of Companies in India. These filings include, inter alia, filings made with the registrar of companies in relation to certain changes to its authorized share capital, allotments and forfeiture of equity shares, etc. since incorporation of our Company until 2003. While our Company believes that these forms were duly filed with the registrar of companies, it has been unable to obtain copies of these documents, including from the registrar of companies.

Since copies of these are unavailable with us, we cannot assure you that these forms or reports were duly filed on a timely basis, or at all. We cannot assure you that records of these filings will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authority in this respect. If RoC imposes any penalty or takes any action against us, it may have an adverse effect on our financial condition.

Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business and financial condition.

We maintain insurance for a variety of risks, including risks relating to our buildings, plant and machinery, stocks, goods-in-transit, products, fire etc. We also maintain a group accident policy for our employees. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. Furthermore, there can be no assurance that we will be able to maintain adequate insurance coverage in the future at acceptable costs. To the extent that we suffer loss or damage for which we do not obtain or maintain insurance or exceeds our insurance coverage, the loss would have to be borne by us and our results of operations and financial performance could be adversely affected.

In addition, not all of the risks associated with our business may be insurable, on commercially reasonable terms or at all. Although we believe that we have obtained insurance coverage customary to our business, such insurance may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. To the extent that we suffer damage or losses which is not covered by insurance, or exceeds our insurance coverage, the loss would have to be borne by us. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future.

We rely on our information technology systems and any failures in our systems could adversely impact our business.

We rely extensively on our information technology systems for our product designing for testing the products manufactured at our factories and to provide us with connectivity across our business functions through our software, hardware and connectivity systems. We rely on our information technology system such as SAP in connection with sales, order booking, distribution network, raw material procurement, design developing, accounting and production. Any delay in implementation or any disruptions in the functioning could disrupt our ability to design our products, track, record and analyse the merchandise that we sell and cause disruptions of operations, including, among others, an inability to process shipments of goods, process financial information, deliver products or engage in similar normal business activities. Additionally, this may also adversely affect our ability to give periodic updates to our customer, which we are required to do up to the time of delivery or installation for all of the products we manufacture.

Our Company is dependent on the service of our Promoter for its business strategies and growth plans. The loss of the service of our Promoter and members of our Key Managerial Personnel, who are involved in our day to day operations or our inability to attract and retain skilled personnel could adversely affect our business.

Our Promoter and Executive Chairman, Vijay Kirloskar has over 35 years of experience in the electrical capital goods equipment manufacturing industry and is key man for our Company's business strategies and growth plans. We are also dependent on our senior managerial personnel, our directors, who collectively have immense and relevant experience in the electrical capital goods equipment manufacturing business. They provide expertise which enables us to make well informed decisions in relation to our business and our future prospects.

We cannot assure you that we will continue to retain any or all of the key members of our management. Further, as on the date of this Preliminary Placement Document, our Company does not have key man insurance policies. The loss of the services of any key member of our management team could have an adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline. Our ability to execute orders and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled professionals and other mid-level professionals. We rely extensively on our skilled workforce which mainly consists of trained engineers and skilled workforce. Our future performance will depend upon the skills, efforts, expertise, and continued services of these persons and our ability to attract and retain them. The loss of their services or those of any

other members of senior managerial personnel could impair our ability to implement our strategy and may have a material adverse effect on our business, financial condition and results of operations.

Our Promoters have provided personal guarantees for a significant portion of our borrowings to secure certain of our loans. Our business, financial condition, results of operations, cash flows and prospects may be adversely affected by the revocation of all or any of the personal guarantees provided by our Promoters in connection with our Company's borrowings.

Our Promoters have provided personal guarantees for a significant portion of our borrowings to secure certain of our loans. If any of these guarantees are revoked, our lenders may require alternative guarantees or collateral or cancellation of such facilities, entailing repayment of amounts outstanding under such facilities. If we are unable to procure alternative guarantees satisfactory to our lenders, we may need to seek alternative sources of capital, which may not be available to us at commercially reasonable terms or at all, or agree to more onerous terms under our financing agreements, which may limit our operational flexibility. Accordingly, our business, financial condition, results of operations, cash flows and prospects may be adversely affected by the revocation of all or any of the personal guarantees provided by our Promoters in connection with our Company's borrowings.

Our Promoters and members of our Promoter Group have significant influence over our operations, which enable them to influence the outcome of matters submitted to shareholders for approval and may take positions with which the other shareholders do not agree.

As of June 30, 2016, our Promoters together with members of the Promoter Group hold 54.08 % of our equity share capital. Please see section titled *"**Principal Shareholders**"* beginning on page 147. The Promoters and members of our Promoter Group may be in a position to influence decisions relating to our business and the outcome of matters submitted to shareholders for approval. This control could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company's best interest. In addition, for so long as the Promoters and members of our Promoter Group continue to exercise significant control over our Company, it may influence the material policies of our Company in a manner that could conflict with the interests of our other shareholders. The Promoter and members of our Promoter Group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our shareholders may not agree.

Our Promoters have pledged a portion of the Equity Shares in favour of lenders who may exercise their rights under the pledge agreements upon the occurrence of events of default.

As of June 30, 2016, 44.65 % of our share capital amounting to 2,48,86,143 Equity Shares, held by members of our Promoter and Promoter Group was pledged with financial institutions in connection with loans availed. In the event that such members are unable to repay the loans in a timely manner or in the event of a default under the terms of such loan agreements, the financial institutions may exercise the pledge and take control of the Equity Shares, which will result in a dilution of our Promoter Groups' shareholding in our Company. A sale of Equity Shares by such financial institutions in the open market may also result in the Promoter and the member of the Promoter Group losing control of our Company, affect the price of our Equity Shares and a breach of certain covenants under our financing arrangements.

Certain of our immovable properties in India and overseas are leased by us. If we are unable to renew existing leases or relocate our operations on commercially reasonable terms, there may be an adverse effect on our business, financial condition and operations.

Certain of our manufacturing facilities and branch offices in India and overseas are held by us on leasehold basis, from third parties, related parties and certain Government authorities on certain terms and conditions. The leases for these premises require periodic renewal and are subject to periodic escalation of lease payments. As on March 31, 2016 and for three months period ended June 30, 2016, our total lease rentals paid under leases relating to land, building premises amounted to ₹ 345.22 lacs and ₹ 75.19 lacs (including operating lease), respectively. If we are unable to renew certain or all of these leases on commercially reasonable terms, we may suffer a disruption in our operations or be unable to continue to operate from those locations in the future.

External Risk Factors

Statistical and industry data in this Preliminary Placement Document may be incomplete or unreliable.

Statistical and industry data used throughout this Preliminary Placement Document has been obtained from various government and industry publications. We believe the information contained herein has been obtained from sources that are reliable, but we have not independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result data from other market sources may not be comparable. The extent to which the market and industry data presented in this Preliminary Placement Document is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data.

Further, such market and industry data has not been prepared or independently verified by us or the Book Running Lead Manager or any of their respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

Our business and activities are regulated by the Competition Act, 2002.

The Competition Act, 2002, as amended (the "Competition Act") seeks to prevent practices that could have an appreciable adverse effect on competition. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and may attract substantial penalties. Any agreement among competitors, or practice or decision in relation to, enterprises or persons engaged in identical or similar trade of goods or provision of services which directly or indirectly determines purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares markets or source of production or provision of services by way of allocation of geographical area, types of goods or services or number of customers in the relevant market is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits the abuse of a dominant position by any enterprise. Provisions of the Competition Act relating to acquisitions, mergers or amalgamations of enterprises that meet certain asset or turnover thresholds and regulations issued by the Competition Commission of India with respect to notification requirements for such combinations became effective in June 2011.

If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, any enforcement proceedings initiated by the Competition Commission of India, any other relevant authority under the Competition Act, any claim by any party under the Competition Act or any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, our business and financial performance may be materially and adversely affected. Further the Competition Commission of India has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage.

Applicants to the Issue are not allowed to withdraw their bids after the Bid/Issue Closing Date.

In terms of the ICDR Regulations, applicants in this Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to ten days from the Bid/Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our Company's business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of allotment of Equity Shares in this Issue. The occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of the SEBI. Our Company may complete the allotment of the Equity Shares

even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against our Company, its directors or executive officers.

Majority of our directors and key managerial personnel are residents of India and all or substantial portion of our assets are located in India. As a result, it may be difficult for investors outside India to effect service of process upon us, our directors, executive officers or such experts in countries outside India, including the United States, or enforce, in Indian courts, judgments obtained in foreign courts, against us or such persons or entities. See "***Enforcement of Civil Liabilities***" beginning on page 10.

Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles of Association, which include regulations applicable to our Board of Directors, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company incorporated in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as our shareholders than as shareholders of a corporation in another jurisdiction.

After this Issue, the price of our Equity Shares may be volatile.

The Issue Price will be determined by us in consultation with the BRLM, based on Bids received in compliance with Chapter VIII of the ICDR Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is completed. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian financial services industry and the perception in the market about investments in the financial services industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. Due to which the market value of an investor's investment may fluctuate

In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

Conditions in Indian stock exchanges may affect the price or liquidity of the Equity Shares.

The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of their listed securities. The Indian stock exchanges have experienced problems that, if they continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. Problems in the past included temporary exchange closures to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on the trading of certain securities and limitations on price movements and margin requirements. Furthermore, disputes have occurred from time to time between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There may be less company information available in Indian securities markets than in securities markets in certain other countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in markets in the United Kingdom, the United States and certain other economies. The SEBI is responsible for monitoring, ensuring and improving disclosure and other regulatory standards for the Indian securities markets and has issued regulations and guidelines on disclosure requirements, insider trading and other matters. Investors may, however, have access to less information about our business, results of operations and financial conditions, on an on-going basis, than investors would have in the case of companies subject to reporting requirements of certain other countries.

There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the Stock Exchanges in a timely manner.

In accordance with Indian law and regulations and the requirements of the Stock Exchanges, in principle and final approvals for listing and trading of the Equity Shares issued pursuant to this Issue will not be applied for or granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted. Accordingly, there could be a failure or delay in listing the Equity Shares on the Stock Exchange. If there is a delay in obtaining such approvals, we may not be able to credit the Equity Shares allotted to the investors to their depository participant accounts or assure ownership of such Equity Shares by the investors in any manner promptly after the Closing Date. In any such event, the ownership of the investors over Equity Shares allotted to them and their ability to dispose of any such Equity Shares may be restricted. For further information on issue procedure, see "***Issue Procedure***" beginning on page 152.

Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed Equity Shares on a Stock Exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic Stock Exchange on which the Equity Shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised Stock Exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed Equity Shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

SEBI operates an index-based market-wide circuit breaker. Any operation of a circuit breaker may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.

We are subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. This may be triggered by an extremely high degree of volatility in the market activity (among other things). The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. Due to the existence of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time.

Any future issuance of Equity Shares may dilute the shareholding of investors and any future sales of Equity Shares by our major shareholders may adversely affect the trading price of the Equity Shares.

The future issuance of Equity Shares by our Company, or the disposal of Equity Shares by any of our major shareholders, including by the Promoters, lenders that have received a pledge of our Equity Shares as security and are seeking to enforce such security, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. Except for the restrictions described in the sections *"Placement"* and *"Description of the Shares"*, there is no restriction on our ability to issue Equity Shares or the ability of any of our shareholders to

dispose of, pledge or otherwise encumber their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. Future issuances of Equity Shares may dilute the shareholding of the investors and may adversely affect the trading price of the Equity Shares. Subject to applicable law, such securities may also be issued at prices below the then market price of the Equity Shares.

An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than on a recognised Indian stock exchange for a period of 12 months from the date of Allotment of the Equity Shares.

Our Company's Equity Share are currently listed on the BSE and the NSE. Pursuant to the ICDR Regulations, for a period of 12 months from the date of the Allotment of the Equity Shares under this Issue, QIBs subscribing to the Equity Shares may only sell their Equity Shares through Stock Exchange mechanism and may not enter into any off market trading in respect of these Equity Shares. Further, allotment to FVCIs, VCFs and AIFs are subject to applicable rules and regulations, including in relation to lock-in. We cannot be certain that these restrictions will not have an impact on the price and liquidity of the Equity Shares.

The Public companies in India, including us, may be required to prepare financial statements under IFRS or a variation thereof, IND-AS. The transition to IND-AS in India is still at an early stage and we may be adversely affected by this transition.

We currently prepare our annual and interim financial statements under Indian GAAP. Companies in India, including ourselves, will be required to prepare annual and interim financial statements under Indian Accounting Standard 101 "First-time Adoption of Indian Accounting Standards ("**Ind-AS**"). On January 2, 2015, the Ministry of Corporate Affairs, Government of India (the "**MCA**") announced the revised roadmap for the implementation of Ind-AS (on a voluntary as well as mandatory basis) for companies other than banking companies, insurance companies and non-banking finance companies through a press release (the "**Press Release**"). Further, on February 16, 2015, the MCA has released the Companies (Indian Accounting Standards) Rules, 2015 (the "**Ind AS Rules**") which have come into effect from April 1, 2015. The Ind AS Rules provide for voluntary adoption of Ind AS by companies in Fiscal 2015. Ind-AS will also be required to be implemented on a mandatory basis by such companies that meet certain net worth criteria.

There is not yet a significant body of established practice on which to draw informing judgments regarding its implementation and application. Additionally, Ind-AS differs in certain respects from IFRS and therefore financial statements prepared under Ind-AS may be substantially different from financial statements prepared under IFRS. There can be no assurance that our financial condition, results of operation, cash flow or changes in shareholders' equity will not be presented differently under Ind-AS than under Indian GAAP or IFRS. When we adopt Ind-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that the adoption of Ind-AS by us will not adversely affect its results of operation or financial condition.

Political instability or a change in economic liberalization and deregulation policies could seriously harm business and economic conditions in India generally and our business in particular.

The Government of India has traditionally exercised and continues to exercise influence over many aspects of the economy. The business and the market price and liquidity of the Equity Shares may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. The Government of India has in recent years sought to implement economic reforms and the current government has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous governments. There can be no assurance that liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting the information technology sector, foreign investment and other matters affecting investment in the securities could change as well. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India, generally, and our business, prospects, financial condition and results of operations, in particular.

MARKET PRICE INFORMATION

Our Equity Shares are listed and traded on BSE and NSE. The stock market data presented below is given for the BSE and the NSE separately. As on the date of this Preliminary Placement Document, the subscribed and paid-up Equity Share Capital of the Company is 5,57,33,723 Equity Shares of ₹ 10 each and outstanding preference share capital of the Company is 8,18,405 Preference Shares of ₹ 100 each.

The following tables set forth the reported high, low, the number of Equity Shares traded and the total trading volume on the dates on which such high and low prices were recorded and the average closing prices of the Equity Shares, on the BSE and the NSE during the fiscal years ended March 31, 2016, March 31, 2015 and March 31, 2014.

The high, low and average market prices of our Equity Shares during the preceding three years

	BSE								
Fiscal Year	**Date**	**High (₹)**	**Volume on date of High (No. of shares)**	**Turnover on date of High (₹ in Lacs)**	**Date**	**Low (₹)**	**Volume on date of Low (No. of shares)**	**Turnover on date of Low (₹ in Lacs)**	**Average (₹)**
2016	December 30, 2015	46.55	209,10,341	8,414.27	February 19, 2016	23.10	20,787	4.80	30.40
2015	September 23, 2014	38.75	1,77,842	70.90	March 26, 2015	23.30	41,145	10.11	30.00
2014	March 31, 2014	33.75	63,514	21.41	August 29, 2013	13.35	4,113	0.55	18.49

Source: www.bseindia.com

	NSE								
Fiscal Year	**Date**	**High (₹)**	**Volume on date of High (No. of shares)**	**Turnover on date of High (₹ in Lacs)**	**Date**	**Low (₹)**	**Volume on date of Low (No. of shares)**	**Turnover on date of Low (₹ in Lacs)**	**Average (₹)**
2016	December 30, 2015	47.40	106,12,670	4,657.43	February 24, 2016	23.00	1,19,271	27.24	30.38
2015	September 23, 2014	38.80	3,40,696	136.82	March 26, 2015	23.35	7,248	1.72	29.98
2014	March 31, 2014	33.60	41,831	14.06	September 24, 2013	13.45	6,178	0.86	18.52

Source: www.nseindia.com

Notes:

(i) High, low and average prices are based on the daily closing prices.

(ii) In case of (two) days with the same closing price, the date with the higher volume has been chosen.

Monthly high, low and average prices and trading volumes of our Equity Shares for the six months preceding the date of filing of this Preliminary Placement Document.

	BSE								
Month	**Date**	**High (₹)**	**Volume on date of High (No. of shares)**	**Turnover on date of High (₹ in Lacs)**	**Date**	**Low (₹)**	**Volume on date of Low (No. of shares)**	**Turnover on date of Low (₹ in Lacs)**	**Average (₹)**
July, 2016	July 25, 2016	52.95	1,82,632	97.21	July 12, 2016	46.55	59,391	27.89	49.13

Month	BSE								
	Date	High (₹)	Volume on date of High (No. of shares)	Turnover on date of High (₹ in Lacs)	Date	Low (₹)	Volume on date of Low (No. of shares)	Turnover on date of Low (₹ in Lacs)	Average (₹)
June, 2016	June 30, 2016	49.25	7,93,710	378.81	June 1, 2016	37.45	57,849	21.77	41.41
May, 2016	May 3, 2016	39.10	1,66,394	65.85	May 31, 2016	36.80	35,758	13.24	37.83
April, 2016	April 27, 2016	38.55	1,19,926	46.49	April 5, 2016	33.00	35,460	11.79	36.21
March, 2016	March 31, 2016	32.60	75,869	24.64	March 1, 2016	27.10	1,72,403	45.73	29.95
February, 2016	February 1, 2016	31.65	1,30,960	41.39	February 19, 2016	23.10	20,787	4.80	25.87

Source: www.bseindia.com

Month	NSE								
	Date	High (₹)	Volume on date of High (No. of shares)	Turnover on date of High (₹ in Lacs)	Date	Low (₹)	Volume on date of Low (No. of shares)	Turnover on date of High (₹ in Lacs)	Average (₹)
July, 2016	July 25, 2016	53.10	5,18,399	275.77	July 12, 2016	46.70	1,50,536	70.77	49.16
June, 2016	June 30, 2016	49.40	23,63,578	1,127.20	June 1, 2016	37.40	83,819	31.46	41.55
May, 2016	May 3, 2016	39.10	2,35,032	92.70	May 31, 2016	36.80	63,377	23.44	37.82
April, 2016	April 26, 2016	38.45	5,17,228	197.29	April 5, 2016	33.05	78,862	26.42	36.16
March, 2016	March 31, 2016	32.25	1,01,218	32.60	March 1, 2016	27.30	2,07,597	55.15	29.95
February, 2016	February 1, 2016	31.60	1,42,066	44.74	February 24, 2016	23.00	1,19,271	27.24	25.77

Source: www.nseindia.com

Market Price on the first working day following the Board Meeting approving the Qualified Institution Placement, in this case being May 19, 2016

Date	BSE						NSE					
	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded Volume (No. of Shares)	Turnover (₹ in lacs)	Open (₹)	High (₹)	Low (₹)	Close (₹)	Traded Volume (No. of Shares)	Turnover (₹in lacs)
May 19, 2016	38.65	39.70	37.05	37.80	1,34,629	52.25	38.60	39.70	37.50	37.85	2,32,891	89.95

Sources: www.bseindia.com, www.nseindia.com

Volume of business transacted during the preceding three Fiscal years and the last six months on the Stock Exchanges

Period	BSE		NSE	
	Total Volume of Securities Traded (No. of shares)	Total Value of Securities Transacted (₹ in lacs)	Total Volume of Securities Traded (No. of shares)	Total Value of Securities Transacted (₹ in lacs)
Fiscal Year 2016	378,67,082	14,416.49	390,99,708	14,902.96
Fiscal Year 2015	41,44,549	1,309.70	56,12,792	1,788.34
Fiscal Year 2014	20,57,326	445.63	22,39,943	490.58

Period	BSE		NSE	
	Total Volume of Securities Traded (No. of shares)	Total Value of Securities Transacted (₹ in lacs)	Total Volume of Securities Traded (No. of shares)	Total Value of Securities Transacted (₹ in lacs)
July, 2016	40,69,140	2,034.64	100,56,252	5,036.58
June, 2016	30,87,289	1,343.22	71,96,938	3,157.58
May, 2016	17,00,056	657.25	32,49,303	1,254.84
April, 2016	16,73,027	617.38	28,51,508	1,053.59
March, 2016	24,08,148	710.33	34,30,207	1,012.61
February, 2016	15,67,868	410.17	22,81,489	600.73

USE OF PROCEEDS

The gross proceeds from the Issue will be ₹ [●] Lacs. The net proceeds from the Issue after deducting fees, commissions and expenses of approximately ₹ [●] Lacs, will be approximately ₹ [●] Lacs. ("**Net Proceeds**")

Subject to compliance with applicable laws and regulations, our Company intends to use the Net Proceeds primarily for working capital for our Company, repayment of any existing loans/ debts of our Company, upgrading of our existing manufacturing facilities, general corporate purposes and any other purposes as may be permissible under applicable law.

We have not yet determined all of our expected expenditures, and we cannot estimate the amounts to be used for the purposes set forth above. In accordance with the decision of the Board of Directors, our Company's management will have the flexibility in deploying the Net Proceeds. The amount and timing of any expenditure will depend on the amount of cash generated by our operations, competitive and market developments and the availability of acquisition or investment opportunities on terms acceptable to us. The Net Proceeds will be deployed only in our Company and will not be invested in our Subsidiaries, joint ventures or any associates companies.

Pending utilisation of the Net Proceeds for the purposes described above, our Company intends to temporarily invest the funds in bank deposits, high quality interest/dividend bearing liquid instruments, including money market mutual funds, as approved by the Board in accordance with the investment policy and applicable laws.

Our Promoters or Directors are not making any contribution either as part of the Issue or separately in furtherance of the proceeds of the Issue.

CAPITALIZATION STATEMENT

As of the date of this Preliminary Placement Document, our authorized capital is ₹ 11,500 Lacs divided into (a) 850 Lacs Equity Shares of ₹ 10 each and (b) 30 Lacs Preference Shares of ₹ 100 each and the subscribed and paid-up Equity Share Capital of our Company is 5,57,33,723 Equity Shares of ₹ 10 each and outstanding preference share capital of the Company is 8,18,405 Preference Shares of ₹ 100 each.

The following table sets forth our Company's capitalisation and total debt as on March 31, 2016, and as adjusted to give effect to the Issue. This table should be read with the section *"**Management's discussion and analysis of financial condition and results of operations**"* and other financial information contained in the section "***Financial Statements***" beginning on page 66 and 205 respectively.

(₹ In Lacs)

Particulars	As of March 31, 2016	
	Actual (audited)	**As Adjusted for the Issue***
Indebtedness		
Long term Borrowings	7,890.33	[●]
Short Term Borrowing	14,422.09	[●]
Current Maturities of Long Term Borrowings	3,463.55	[●]
Total Indebtedness (A)	**25,775.97**	[●]
Shareholders' Funds		
Equity Share Capital	6,391.78	[●]
Reserves and Surplus [1]	(4,680.42)	[●]
Total Shareholders' Funds (B)	1,711.36	[●]
Total Capitalisation (A) + (B)	**27,487.33**	[●]

[1] *Reserves and surplus, as adjusted for the Issue, is net of adjustments for estimated issue expenses of approximately ₹ [●]*

**: Will be inserted once the Issue Price is determined*

CAPITAL STRUCTURE

The share capital of our Company, as on the date of this Preliminary Placement Document is set forth below:

No.	Particulars	Amount (In ₹ Lacs)
		Aggregate nominal value
A.	**Authorised Share Capital**	
	8,50,00,000 Equity Shares of ₹ 10 each	8,500.00
	30,00,000 Preference Share of ₹ 100 each	3,000.00
B.	**Issued, Subscribed and Paid-Up Share Capital before the Issue**	
	5,57,33,723 Equity Shares of ₹ 10 each	5573.37
	8,18,405 Preference Shares of ₹ 100 each	818.41
C.	**Present Issue in terms of this Preliminary Placement Document**[(a)]	
	Issue of [●] Equity Shares of ₹ 10 each	[●]
D.	**Issued, Subscribed and Paid-Up Share Capital after the Issue**	
	[●] Equity Shares of ₹ 10 each	[●]
E.	**Securities Premium Account**	
	Before the Issue	1,065.41
	After the Issue[(b)]	[●]

Notes:

(a) The Issue has been authorised by the Board of Directors vide a resolution passed at its meeting held on May 18, 2016 and by the shareholders of our Company vide a special resolution passed pursuant to sections 42 and 62(1)(c) of the Companies Act at the EGM held on June 24, 2016.

(b) The Securities Premium Account after the Issue is calculated net of adjustments for estimated issue expenses of approximately ₹ [●].

NOTES TO THE CAPITAL STRUCTURE

1. **History of Equity Share Capital of our Company**

On incorporation, the subscribers to the Memorandum of Association of our Company had subscribed to 1,800 ordinary "A" class shares of ₹ 10 each and 252 ordinary "B" class shares of ₹ 100 each.

Our Company is unable to trace copies of prescribed forms filed by it with the Registrar of Companies, *inter-alia*, in respect of the allotment of Equity and Preference Shares since its incorporation until April 30, 2003. While our Company believes that these forms were duly filed, it has not been able to obtain copies of these documents, including from the registrar of companies. See the section "*Risk Factors – Some of our Company's records relating to filings made with the registrar of companies by our Company for the period between 1946 –2003 are not traceable*."

As on April 29, 2003 the paid up equity share capital of the Company was ₹ 25,26,88,170 comprising of 2,52,68,817 equity shares of ₹ 10 each. The history of the equity share capital of our Company since April 30, 2003 is provided in the following table:

Date of Allotment / Fully Paid-up	No. of Equity Shares allotted	Face value (₹)	Issue Price (₹)	Nature of consideration	Nature of Allotment
April 30, 2003	60,00,000	10	10.00	Cash	Pursuant to the Scheme of arrangement[(1)]
July 20, 2007	20,00,000	10	30.00	Cash	Pursuant to scheme of amalgamation[(2)]

Date of Allotment / Fully Paid-up	No. of Equity Shares allotted	Face value (₹)	Issue Price (₹)	Nature of consideration	Nature of Allotment
October 17, 2008	1,72,52,550	10	-	Other than cash	Allotment pursuant to scheme of amalgamation[3]
March 26, 2015	26,58,200	10	30.44	Cash	Preferential Allotment
February 11, 2016	25,54,156	10	30.44	Cash	Pursuant to conversion of 7,77,485 compulsory convertible preference shares

(1)Allotment of 60,00,000 Equity Shares of our Company pursuant to scheme of arrangement approved by the High Court of Karnataka vide its order dated February 13, 2003 on conversion of redeemable cumulative preference shares of ₹ 600 lacs.
(2)Allotment of 20,00,000 Equity Shares of our Company pursuant to scheme of arrangement approved by the High Court of Karnataka vide its order dated February 13, 2003 read with its orders dated January 18, 2007 and June 29, 2007.
(3)Allotment of 1,72,52,550 Equity Shares of our Company pursuant to scheme of arrangement of Kirloskar Power Equipments Limited, Kaytee Switchgear Limited with our Company approved by the High Court of Karnataka vide its order dated September 4, 2008.

2. **History of Preference Share Capital of our Company**

The history of the paid up preference share capital of our Company since October 17, 2008 is provided in the following table:

Date of Allotment / Fully Paid-up	No. of Preference Shares	Face value (₹)	Issue Price (₹)	Nature of consideration	Nature of Allotment
October 17, 2008	11,76,746	100	-	Other than cash	Pursuant to scheme of amalgamation[1]
March 27, 2015	6,00,000	100	100	Cash	Preferential Allotment
March 30, 2015	6,00,000	100	100	Cash	Preferential Allotment
March 31, 2015	3,95,890	100	100	Cash	Preferential Allotment

(1)Allotment of 11,76,746 Preference Shares of our Company pursuant to scheme of arrangement of Kirloskar Power Equipments Limited, Kaytee Switchgear Limited with our Company approved by the High Court of Karnataka vide its order dated September 4, 2008.

3. **Equity Shares issued for consideration other than cash by our Company**

In the last one year preceding the date of this Preliminary Placement Documents, our Company has not issued any Equity Shares for consideration other than cash.

DIVIDEND POLICY

Under the Companies Act, an Indian company may pay dividends only upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting. Shareholders may decrease, but not increase, the amount of dividend recommended by the board of directors. In addition, as is permitted by the Articles of Association of our Company, the Board may declare and pay interim dividends. Under the Companies Act, a company may pay dividends only out of its profits in the year in which the dividend is declared or out of the undistributed profits or reserves of prior fiscal years or out of both. Our lending arrangements as well as the agreements governing our indebtedness with our lenders contain certain restrictive covenant that restricts declaration of dividends without the prior written consent of the lenders.

Our Company has not declared any dividends to its members for the years ended March 31, 2016, March 31, 2015 and March 31, 2014.

For a summary of certain Indian tax consequences of dividend distributions to shareholders, see the section "***Taxation***" beginning on page 179.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Financial Statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degrees to which the financial statements included in this Preliminary Placement Document will provide meaningful information, is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI regulations. Any reliance on the financial disclosures presented in this Preliminary Placement Document by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein.

*Our actual results and the timing of selected events could differ materially from those anticipated in forward-looking statements contained in this discussion as a result of various factors, including those set forth under "**Risk Factors**" and elsewhere in this Preliminary Placement Document. See the section titled "**Forward Looking Statements**". Please refer to this section in conjunction with the chapters "**Financial Statements**" and "**Risk Factors**"* beginning on pages 205 and 40*, respectively.*

Our Fiscal ends on March 31st of each year, so all references to a particular "Fiscal" are to the 12-month period ended March 31st of that Fiscal.

Overview:

We are one of the leading electrical capital goods equipment manufacturing companies in India. We are primarily engaged in the business of manufacturing and sales of electric motors, that is, AC machines and DC machines, AC generators ('**Rotating Machines Group**'), transformers, switchgears and silent diesel generator sets ('**Power Generation and Distribution Group**'), projects and systems ('**Others**'). We have been in the business of manufacturing and sales of electrical capital goods equipment for over six (6) decades and have consistently been one of the leading suppliers of electric motors in India. This has not only resulted in getting repeat orders but also helped in adding new customers and new geographies.

Established in 1946, our Company ushered the indigenous electrical engineering industry. With over six (6) decades of manufacturing experience, we have evolved to become an integrated multi-locational manufacturing company. We manufacture wide range of products under three (3) product groups namely Rotating Machines Group, Power Generation and Distribution Group and Others that cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries. We believe we are a one-stop solution provider to our customers, across sectors. We have progressed from being a manufacturer of electric motors to diversified electrical capital goods equipment such as AC generators, transformers, diesel generator sets, switchgears, projects and systems etc. We have strong design and engineering capabilities with in-depth knowledge of electrical capital goods equipment. Our Company is founded by Late Ravi Kirloskar and is presently led by his son Vijay Kirloskar. He has over three decades of experience in the field of sales and marketing and electrical industry and was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries.

Being an integrated manufacturer, we conceptualise, design, manufacture and deliver our products in each of the business segments from our multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Our infrastructure includes press shop, machine shop, component design and engineering, development centres along with inspection laboratories. All our manufacturing facilities are equipped with engineering development facilities which primarily cater to in-house requirements of our Company in material science, new product design and development, product optimization, prototyping and test validation. We are committed to providing quality products to our customers and in this relation hold various certifications, approvals and accreditations including ISO 9001:2008 and BIS – 1180 standards, OHSAS 18001 certifications for implementing occupational health and safety management systems at such facilities. Certain of our products are also certified to be compliant with various national and international quality standards. This enables us to offer our products built uniquely around our customer's needs.

We believe that our engineering and development capabilities have enabled us to keep abreast of technological developments in our industry. We have a strong focus on constantly adopting the technology that is used in our products and the processes used in manufacturing thereof, through our continuing engineering and development efforts. We have established in-house engineering and development centres in each of our facilities. Our engineering and development efforts include offering solutions for import substitutes for electric motors, motors for electric vehicles, mining transformers, high frequency generator sets and test setups amongst others.

We have professionally managed teams including trained engineers experienced in all streams and cross functions. As on June 30, 2016, our Company had 1,431 permanent employees besides hiring contract labors pursuant to the need of business.

We manufacture and sell our products under '*Kirloskar Electric*'. We have a strong marketing network across geographies for sales and marketing and aftermarket support. Our products are exported to several countries including Tanzania, Kuwait, Bangladesh, Netherlands and Oman. As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India. In order to provide services to our customers, we have also set-up a dedicated toll-free helpline for delivering product information, technical details, etc. Further, with an objective to reach out to dealers, we organise dealers' meet during our product launch, new developments and other initiatives. We have long-standing relationships with several domestic and international players and have been recognized as an "Approved Supplier" for the products manufactured by us.

Note on LDW

Lloyd Dynamowerke GmbH & Co KG ("**LDW**"), a company which is incorporated in Bremen, Germany, develops, constructs and produces electrical machines and drive systems for industrial applications. The range of products manufactured by LDW included direct current equipment, synchronous / A-synchronous motors and comprehensive services.

LDW is predominantly known for its technology, state of the art design, manufacturing and testing facility. Since KECL had already purchased technology from LDW and integrated the same in its manufacturing processes, during the year 2008, when LDW itself was up for sale from its principle shareholder M/s. CMP Fonds I GmbH (CMP), Berlin, Germany, KECL acquired 94.9% stake in LDW through its subsidiary Kirsons B.V. for a consideration of Euro 23.456 million (including the takeover of shareholders loan of Euro 5.01 million) and the balance was held by Mr. Berthold Groeneveld, the then MD of LDW.

Immediately post the acquisition, the financial markets across the globe collapsed after 2008. The prolonged recession in Germany, Europe and across the globe majorly impacted the order book and business of LDW. Due to the slowdown in the business and recession in the industry, KECL took several steps including infusion of funds to revive the business, but unfortunately it did not work due to prolonged recession. Due to continued losses and liquidity problems, the local directors of LDW filed insolvency petition pursuant to the German Insolvency Law.

With the help of LDW technology, our Company has been largely benefited in many ways, some of which are as under:

Benefits from the acquisition of LDW and its technology:

- Engineering design and development improvement optimization helped in optimization of raw material cost and production process time, improvement in quality ;
- Customer acceptances/ perceptions improved on account of association with the contemporary German technology. Acquired capability to bid for nuclear power business; technical know-how on electro-magnetic and performance predictions for electrical designs in very large frame sizes for rotating AC Machines and thermal evaluation & estimation of temperature rise with prototyping;
- Training imparted by LDW has enhanced the technical capabilities and expertise of engineers;
- Contemporary designs meeting global standards

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND OUR RESULTS OF OPERATIONS

We believe that the following factors have significantly affected our results of operations and financial condition during the periods under review, and may continue to affect our results of operations and financial condition in the future:

Working capital requirements and access to capital resources

Our business requires working capital primarily for financing our raw material purchases and manufacturing our products before we receive payments from our customers. Moreover, our working capital requirements will increase in the event we undertake a larger number of orders as we grow our business. Currently, we fund our working capital requirements from our internal accruals as well as through credit leveraging and by raising working capital loans.

We are on verge of gradually improving our working capital cycles. The measures amongst others include just-in-time procurement, monitoring inventories for possible reduction in the volume of stock, cash management systems and negotiation of favorable commercial terms with vendors.

Foreign currency fluctuations

Our financial statements are presented in Indian Rupees. However, our expenditure and revenue are influenced by the foreign currency exchange rates to the extent of our imports and/ or exports. For Fiscal 2016, Fiscal 2015 and Fiscal 2014, our expenditure on consumption of imported raw materials accounted for ₹ 455.67 lacs, ₹ 358.64 lacs and ₹ 2,798.95 lacs respectively. Expenditure on consumption of imported raw materials, as a percentage of total expenditure stood at 0.75%, 0.58% and 3.79%, respectively.

The exchange rate between the Indian Rupee and these currencies has fluctuated in the past and our results of operations have been impacted by such fluctuations and may be impacted by such fluctuations in the future. Depreciation of the Indian rupee against the U.S. Dollar and/ or other foreign currencies may adversely affect our results of operations by increasing the cost of our raw materials or any proposed capital expenditure in foreign currencies. Volatility in the exchange rate and/or sustained appreciation of the Indian Rupee will negatively impact our revenue and operating results. Nevertheless, our exposures in foreign currency are not material if compared with the overall business volume and we do enjoy a natural hedge to the extent that our foreign currency inflows counterbalance our foreign currency outflows.

Competition

We operate in an increasingly competitive market. We face competition from other manufacturers, traders, suppliers and importers in relation to our offerings, in the organized and unorganized sectors. Suppliers in our industry compete based on key attributes including technical competence, product quality, strength of sales and distribution network, pricing and timely delivery.

Further, many of our competitors, specifically multinational companies, may have significant competitive advantages, including greater brand recognition and greater access to financial, research and development, marketing, distribution and other resources, larger product offerings and greater specialization than us. Additionally, certain of our competitors may specialise in manufacturing electric equipment within particular product verticals and hence, may be able to dedicate significantly larger resources towards developing and manufacturing technologically superior equipment than us and their brands may gain greater visibility within those product verticals. Our competitors may further, enter into business combinations or alliances that strengthen their competitive positions or prevent us from taking advantage by entering into such business combinations or alliances. Increasing competition may result in pricing pressures or decreasing profit margins or lost market share or failure to improve our market position, any of which could substantially harm our business and results of operations. We will be required to compete effectively with our existing and potential competitors, to maintain and grow our market share and in turn, our results of operations.

SIGNIFICANT ACCOUNTING POLICIES

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:

These financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with Accounting Standards specified under Section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis. 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 of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results to could differ due to changes in these estimates and the difference between the actual result and the estimate are recognised in the period in which the results are known / materialise.

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 /amortisation.

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 are computed on weighted average basis.

2.7 DEPRECIATION:

(i) Depreciation on furniture and fixtures above ₹ 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.

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

(iii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought/sold during the year is charged on straight line method as per the useful life in Schedule II of Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed/sold except in case of certain plant and machineries whose useful life is as assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straight-line basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools are different from that specified in Schedule II to the said act, ranging from 1 to 25 years. Assets whose individual value less than ₹ 5,000/- is depreciated fully in the year of addition irrespective of useful life.

2.8 REVENUE RECOGNITION:

(i) Sale of products and services is recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, sales tax, service tax, value added tax and trade discounts.

(ii) Interest income is recognized on time proportion basis.

(iii) Dividend income is recognized, when the right to receive the dividend is established.

(iv) Rental income is recognized on time proportion basis.

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss in the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

2.10 EMPLOYEE BENEFITS:

(i) Short term employee benefits:

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

(ii) Post employment benefits:

a. Defined contribution plans:

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

b. Defined benefit plans:

Employees' gratuity is defined benefit plan. 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.

c. Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

"Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise."

2.11 FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

(ii) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

(iii) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(iv) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the yearend rates.

(v) The Company enters 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 statement of profit and loss, 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 up to 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.

Changes in accounting policies during last three years and their effect on the profits and reserves of our Company

There have been no changes in our Company's accounting policies during the last three financial years.

Components of our Revenue and Expenses

The components of our revenue, also expressed as a percentage of our total revenue, as reflected in our standalone audited financial statements for Fiscal 2016, Fiscal 2015 and Fiscal 2014 is as follows:

(₹ in lacs)

Particulars	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Sale of Products								
Motors, alternators and generators	6,115.56	39.13%	30,324.76	55.01%	28,106.64	54.67%	36,315.71	52.10%
Transformers	5,405.44	34.58%	13,535.34	24.55%	16,245.27	31.60%	23,565.86	33.81%
DG sets	3,560.92	22.78%	10,268.31	18.63%	5,171.07	10.06%	7,241.88	10.39%
Others	1,231.00	7.88%	5,408.62	9.81%	5,174.36	10.06%	6,801.42	9.76%
Total Sale of Products	**16,312.92**	**104.37%**	**59,537.03**	**108.00%**	**54,697.34**	**106.39%**	**73,924.87**	**106.05%**
Sale of services	115.27	0.74%	845.70	1.53%	775.36	1.51%	916.06	1.31%
Gross Sales	**16,428.19**	**105.10%**	**60,382.73**	**109.53%**	**55,472.70**	**107.90%**	**74,840.93**	**107.37%**
Less: Excise duty	1,507.99	9.65%	5,607.58	10.17%	4,392.38	8.54%	6,856.66	9.84%
Revenue from Operations (A)	**14,920.20**	**95.46%**	**54,775.15**	**99.36%**	**51,080.32**	**99.36%**	**67,984.27**	**97.53%**
Other income								
Interest income	20.07	0.13%	95.02	0.17%	107.96	0.21%	62.54	0.09%
Dividend income from long term investments	-	0.00%	8.52	0.02%	6.78	0.01%	8.70	0.01%
Profit on sale of fixed assets (net)	-	0.00%	42.51	0.08%	-	-	1,237.61	1.78%
Provision no longer required and Unclaimed credit balance written back	680.2	4.35%	149.39	0.27%	114.54	0.22%	212.27	0.30%

Particulars	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Rent received	0.79	0.01%	10.31	0.02%	24.68	0.05%	48.27	0.07%
Miscellaneous income	9.06	0.06%	47.98	0.09%	76.74	0.15%	150.96	0.22%
Other Income (B)	**710.12**	**4.54%**	**353.73**	**0.64%**	**330.70**	**0.64%**	**1,720.35**	**2.47%**
Total Revenue (A+B)	**15,630.32**	**100%**	**55,128.88**	**100%**	**51,411.02**	**100%**	**69,704.62**	**100%**

Income

Our total revenues comprise of sales of products manufactured and sales of services rendered by our Company and other income.

Revenue from Operations

Our revenue from operations substantially comprises of sale of manufactured goods which includes motors, alternators, generators, transformers, DG sets amongst others. The gross turnover is adjusted for excise duty paid by us on our manufactured products to arrive at our revenue from operations. Revenue from sales of products is recognised on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided.

Other income

Other income comprises of recurring income and non-recurring income. Recurring income usually comprises of interest received, dividend income, rent received and other miscellaneous receipts. Non recurring income usually comprise of profit on sale of assets (net) and provisions no longer required and unclaimed credit balance.

Expenses

Our total expenses, also expressed as a percentage of our revenue from operations, as reflected in our standalone audited financial statements for Fiscal 2016, Fiscal 2015 and Fiscal 2014 is as follows:

(₹ in lacs)

Particulars	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations
Cost of materials consumed & Changes in inventories of finished goods, work in progress and stock in trade	10,963.76	73.48%	40,952.29	74.76%	40,689.18	79.66%	52,621.96	77.40%
Employee benefit expenses								
Salaries, wages and bonus	1,324.69	8.88%	6,079.10	11.10%	5,937.62	11.62%	6,188.61	9.10%
Contribution to provident and other funds	187.1	1.25%	640.68	1.17%	683.85	1.34%	674.43	0.99%
Staff welfare expenses	224.84	1.51%	797.65	1.46%	935.78	1.83%	1,024.79	1.51%
Finance costs								

Particulars	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations
Interest expense	877.11	5.88%	3,932.22	7.18%	4,086.36	8.00%	3,580.39	5.27%
Amortisation of premium on forward contract	-	0.00%	-	0.00%	-	0.00%	9.78	0.01%
Other borrowing costs	73.01	0.49%	253.46	0.46%	326.78	0.64%	603.70	0.89%
Depreciation and amortization expenses								
Depreciation	266.27	1.78%	1,052.94	1.92%	1,058.88	2.07%	1,325.60	1.95%
Amortization of intangible assets	10.88	0.07%	48.13	0.09%	44.93	0.09%	51.78	0.08%
Withdrawal of depreciation on account of assessment of stamp duty payable on Scheme	-	-	-	-	-	-	(205.83)	-0.30%
Other expenses								
Power and fuel	204.41	1.37%	798.64	1.46%	780.34	1.53%	974.32	1.43%
Rent	75.19	0.50%	345.22	0.63%	380.14	0.74%	291.66	0.43%
Repairs to buildings	14.3	0.10%	87.17	0.16%	77.72	0.15%	75.07	0.11%
Repairs to machinery	38.72	0.26%	236.32	0.43%	182.52	0.36%	315.48	0.46%
Repairs to others	91.7	0.61%	331.31	0.60%	315.87	0.62%	270.70	0.40%
Vehicle maintenance	3.71	0.02%	17.94	0.03%	29.04	0.06%	32.78	0.05%
Insurance	9.83	0.07%	29.67	0.05%	37.28	0.07%	38.48	0.06%
Rates and taxes	20.08	0.13%	209.20	0.38%	194.48	0.38%	113.67	0.17%
Payment to auditors	15.56	0.10%	60.24	0.11%	80.51	0.16%	89.80	0.13%
Selling expenses	372.91	2.50%	1,529.42	2.79%	1,641.09	3.21%	1,850.55	2.72%
Commission	1.12	0.01%	37.21	0.07%	72.27	0.14%	28.17	0.04%
Warranty claims	53.78	0.36%	248.13	0.45%	441.25	0.86%	473.62	0.70%
Allowance for doubtful trade receivables	-	0.00%	30.77	0.06%	-	0.00%	621.67	0.91%
Allowance for doubtful loans and advances	-	0.00%	352.00	0.64%	44.08	0.09%	11.96	0.02%
Net (gain)/loss on foreign currency transaction and translation	8.03	0.05%	66.43	0.12%	25.20	0.05%	262.33	0.39%
Bad trade receivables written off	-	0.00%	0.30	0.00%	2.93	0.01%	177.52	0.26%
Less: Allowance for doubtful trade receivable withdrawn	-	0.00%	-	0.00%	(600.00)	-1.17%	(133.34)	-0.20%
Irrecoverable loans and advances written off	-	0.00%	-	0.00%	12.97	0.03%	-	0.00%
Loss on sale of fixed asset (net)	-	0.00%	-	0.00%	283.35	0.55%	-	0.00%
Donations	-	0.00%	0.25	0.00%	2.20	0.00%	0.65	0.00%
Legal and professional charges	106.67	0.71%	437.66	0.80%	532.93	1.04%	514.70	0.76%
Travelling	152.68	1.02%	534.90	0.98%	564.31	1.10%	769.69	1.13%
Printing and stationary	18.21	0.12%	50.99	0.09%	62.58	0.12%	73.92	0.11%
Postage, telegrams and telephones	42.12	0.28%	127.75	0.23%	158.67	0.31%	164.31	0.24%
Directors sitting fees	1.95	0.01%	12.90	0.02%	13.65	0.03%	13.05	0.02%

Particulars	Three months ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations	Amount	% of Revenue from Operations
Provision for assets held for sale	-	0.00%	-	0.00%	598.50	1.17%	66.72	0.10%
Provision for Contingencies	15	0.10%	60.00	0.11%	1,518.14	2.97%	-	0.00%
Miscellaneous expenses	305.24	2.05%	1,036.21	1.89%	792.51	1.55%	837.25	1.23%
Less: Expense capitalised	-	0.00%	-	0.00%	(5.57)	-0.01%	(4.59)	-0.01%
Total expenses	**15,478.87**	**103.74%**	**60,397.10**	**110.26%**	**62,002.34**	**121.38%**	**73,805.35**	**108.56%**
Revenue from Operations	**14,920.20**	**100%**	**54,775.15**	**100%**	**51,080.32**	**100%**	**67,984.27**	**100%**

Our total expenses comprises of cost of materials consumed, changes in inventory, employee benefit expenses, finance costs, depreciation and amortization and other expenses.

Cost of Material consumed

Our expenditure on material consumed primarily consists of copper (wires, strips, rods, sheets etc), iron and steel (pig iron, rounds, plates, sheets, etc.), besides other materials/components consumed in the manufacturing process. Cost of materials consumed & Changes in inventories of finished goods, work in progress and stock in trade accounted for 73.48%, 74.76%, 79.66% and 77.40% of our revenue of operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively. Copper constituted 14.36%, 13.41%, 16.04% and 16.73% of our revenue from operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively. Iron and Steel constituted 14.03%, 14.36%, 13.59% and 11.29% of our revenue from operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively. Transformer Oil constituted 0.86%, 1.48%, 1.91% and 2.43% of our revenue from operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively. Engines constituted 11.54%, 11.81%, 5.97% and 5.20% of our revenue from operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively. Our other raw materials constituted 32.69%, 33.70%, 42.15% and 41.79% of our revenue from operations for three months period ended June 30, 2016, Fiscal 2016, Fiscal 2015 and Fiscal 2014, respectively.

Change in Inventory

Change in inventories in a fiscal include increase or decrease in the closing stock of finished goods, work in progress and stock-in-trade over opening stock of finished goods, work in progress and stock-in-trade

Employee benefit expense

Our employee benefit expenses comprise of salaries, wages and bonus, contribution to provident fund and other funds and staff welfare expenses. Employee benefit expense accounted for 11.64%, 13.72%, 14.79% and 11.60% of our revenue from operations for three months period ended June 30, 2016, Fiscals 2016, 2015 and 2014 respectively. For Fiscals 2016, 2015 and 2014 we had 1,462 (including 357 trained engineers), 1,495 and 1,652 permanent employees. As on June 30, 2016, we had 1,431 permanent employees. While the cost towards salaries, wages and bonus and staff welfare expenses have decreased by 4.06% and 8.69% respectively, y-o-y during Fiscal 2015, the total employee benefit expense decreased y-o-y during Fiscal 2016 was negligible.

Finance costs

Our finance costs primarily comprise of interest paid on our debt facilities, including term loans, working capital loans, loan processing charges and other finance costs such as interest paid in relation to inter-corporate deposits, public deposits and business deposits (security deposit), as well as other borrowing costs such as letter of credit

charges, bank guarantee charges and other bank charges. Our finance costs accounted for 6.37%, 7.64%, 8.64% and 6.17% of our revenue from operations for three months period ended June 30, 2016, Fiscals 2016, 2015 and 2014 respectively.

Depreciation and amortization expenses

Depreciation and amortisation is provided on straight line basis. Depreciation and amortisation on additions or disposal is charged on pro rata basis. Until March 31, 2014, depreciation and amortisation was charged at the rates prescribed in Schedule XIV of the Companies Act, 1956. Effective from April 1, 2014, our Company has charged depreciation and amortisation based on the revised remaining useful life of assets as per the requirements of Schedule II of the Companies Act, 2013 except in case of certain plant & machineries whose useful life is as assessed by certified external technical expert's assessment. Our depreciation and amortization expenses accounted for 1.86%, 2.01%, 2.16% and 1.72% of our revenue of operations for three months period ended June 30, 2016, Fiscals 2016, 2015 and 2014 respectively.

Other expenses

Our other expenses include power & fuel, rent, rates and taxes, repairs and maintenance, insurance, legal and professional charges, auditor's remuneration, travelling expenses, selling expenses and miscellaneous expenses (includes contract labour, security charges, water etc.) amongst others. The three major components of our other expenses are selling expenses, miscellaneous expenses and power & fuel which were ₹ 372.91 lacs, ₹ 1,529.42 lacs, ₹ 1,641.09 lacs and ₹ 1,850.55 lacs; ₹ 305.24 lacs, ₹ 1,036.23 lacs, ₹ 792.51 lacs and ₹ 837.25 lacs; and ₹ 204.41 lacs, ₹ 798.64 lacs, ₹ 780.34 lacs and ₹ 974.32 lacs, respectively, for three months period ended June 30, 2016, Fiscals 2016, 2015 and 2014, respectively. Other expenses accounted for 10.40%, 12.12%, 16.13% and 11.66% of our revenue from operations for three months period ended June 30, 2016, Fiscals 2016, 2015 and 2014 respectively.

Summary of Standalone Audited Profit & Loss Account

(₹ in Lacs)

Particulars	Three months period ended June 30, 2016		Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Total revenue	15,630.32	-	55,128.88	-	51,411.02	-	69,704.62	-
Total expenses	15,478.87	99.03%	60,397.10	109.56%	62,002.34	120.60%	73,805.35	105.88%
Profit/ (Loss) before exceptional and extraordinary items and tax	151.45	0.97%	(5,268.22)	-9.56%	(10,591.32)	-20.60%	(4,100.73)	-5.88%
Exceptional and extraordinary items	-	-	2,155.18	3.91%	(2,383.31)	-4.64%	-	-
Profit/ (Loss) before tax	151.45	0.97%	(3,113.04)	-5.65%	(12,974.63)	-25.24%	(4,100.73)	-5.88%
Tax expense	-	-	-		-		0.23	0.00%
Profit/ (Loss) after tax	151.45	0.97%	(3,113.04)	-5.65%	(12,974.63)	-25.24%	(4,100.96)	-5.88%

Three months period ended June 30, 2016

Total Revenues

We had a total revenue of ₹ 15,630.32 lacs for the three months period ended June 30, 2016.

Revenue from Operations

Our revenue from operations was ₹ 14,920.20 lacs for the three months period ended June 30, 2016, which amounted to 95.46% of our total revenues. As a percentage of our revenue from operations, 99.23% was derived from the sale of products manufactured and 0.77% was derived from the sale of services.

Other Income

We had revenue from other income of ₹ 710.12 lacs for the three months period ended June 30, 2016. This was primarily attributable to provision no longer required written back, interest income from bank deposits and other income like rent received and miscellaneous income.

Total Expenses

We had total expenses of ₹ 15,478.87 lacs for the three months period ended June 30, 2016. This was primarily attributable to expenses for consumption of materials & change in inventories of finished goods, work in progress and stock in trade, employee benefits expenses, finance costs, depreciation and amortization expenses and other expenses like power & fuel, rent, rates and taxes, repairs and maintenance, insurance, legal and professional charges, auditor's remuneration, travelling expenses, selling expenses and miscellaneous expenses (includes contract labour, security charges, water etc.) amongst others. As a percentage of our total revenue, our total expenses were 99.03% in the three months period ended June 30, 2016.

Cost of materials consumed

Our total cost of materials consumed for the three months period ended June 30, 2016 totalled ₹ 11,383.02 lacs. Our costs in relation to purchase of materials like copper, iron & steel, transformer oil, engines besides other raw materials. Our cost of materials consumed as a percentage of revenue from operations were 76.29% for the three months period ended June 30, 2016.

Change in Inventory

Net increase in inventories of finished goods and work-in-progress totalled ₹ 419.26 lacs for the three months period ended June 30, 2016 which was primarily attributable to increase in our closing stock of finished goods and work-in-progress. Our change in inventory as a percentage of revenue from operations is -2.81% for the three months period ended June 30, 2016.

Employee benefit expense

Our employee benefits expenses for the three months period ended June 30, 2016 totalled ₹ 1,736.63 lacs. Our employee benefits expenses as a percentage of revenue from operations were 11.64% for the three months period ended June 30, 2016.

Finance Costs

Our finance costs totalled ₹ 950.12 lacs for the three months period ended June 30, 2016, which was primarily attributable to interest on borrowings and other interest and borrowing costs. As a percentage of our revenue from operations, finance costs were 6.37% in the three months period ended June 30, 2016.

Depreciation and amortization expense

Our depreciation and amortization expense was ₹ 277.15 lacs for the three months ended June 30, 2016. Our expenses in relation to depreciation and amortization as a percentage of revenue from operations was 1.86 % for the three months ended June 30, 2016.

Other Expenses

Our other expenses totalled ₹ 1,551.21 lacs for the three months period ended June 30, 2016, which was on account of expenses towards power & fuel, rent, rates and taxes, repairs and maintenance, insurance, legal and professional

charges, auditor's remuneration, travelling expenses, selling expenses and miscellaneous expenses (includes contract labour, security charges, water etc.) amongst others. Our other expenses as a percentage of revenue from operations were 10.40% for the three months period ended June 30, 2016.

Profit before tax

As a result of the factors outlined above, our profit before tax for the three months period ended June 30, 2016 totalled ₹ 151.45 lacs. As a percentage of total revenue, our profit before tax was 0.97% for the three months period ended June 30, 2016.

Profit after Tax

As a result of the factors outlined above, our profit after tax totalled ₹ 151.45 lacs for the three months period ended June 30, 2016.

Fiscal 2016 compared to Fiscal 2015

Total Revenues

Our total revenue increased to ₹ 55,128.88 lacs for the Fiscal 2016 from ₹ 51,411.02 lacs for the Fiscal 2015. This was mainly due to (a) increase in sales of DG sets; (b) Increase in the sales of our motors, alternators and generators, (c) dividend income from long term investments, partly offset by (d) decrease in the sales of transformers and (e) decrease in rent receipts and interest income.

Revenue from Operations

Our revenue from operations increased by 7.23% to ₹ 54,775.15 lacs for the Fiscal 2016 from ₹ 51,080.32 lacs for the Fiscal 2015. The increase in revenues was mainly on account of (a) increase in sales of DG sets by nearly 100% to ₹ 10,268.31 lacs in Fiscal 2016 from ₹ 5,171.07 lacs in Fiscal 2015 mainly due to increase in the order book from Integrated Coach Factory and Rail Coach Factory (Indian Railways); (b) Increase in the sales of our motors, alternators and generators by 7.89% to ₹ 30,324.76 lacs in Fiscal 2016 from ₹ 28,106.64 lacs in Fiscal 2015 partly offset by 16.68% decrease in the sales of transformers to ₹ 13,535.34 lacs in Fiscal 2016 from ₹ 16,245.27 lacs in Fiscal 2015.

Other Income

Our other income increased by 6.96% to ₹ 353.73 lacs for the Fiscal 2016 from ₹ 330.70 lacs for the Fiscal 2015, primarily due to dividend income received from long term investments amounting to ₹ 8.52 lacs as compared to ₹ 6.78 lacs i.e., y-o-y growth of 25.66%, partly offset by y-o-y decrease in rent receipts and miscellaneous income for Fiscal 2016 by 58.23% and 37.48% respectively.

Total Expenditure

Our total expenditure for the Fiscal 2016 was ₹ 60,397.10 lacs as compared to ₹ 62,002.34 lacs for the Fiscal 2015, y-o-y marginal decrease of 2.59%. This was mainly due to (a) substantial decrease in the provisions made for contingencies, (b) decrease in warranty claims, (c) provision for assets held for sale amounting to ₹ 598.50 lacs; besides increase in cost of material consumed, salaries and wages, repairs and maintenance and allowances for doubtful loans and advances. Total expenditure, as a percentage of revenue from operations, stood at 110.26% in Fiscal 2016 and 121.38% in Fiscal 2015.

Cost of material consumed

Our material consumption expenses increased by 16.31% to ₹ 40,596.93 lacs for the Fiscal 2016 from ₹ 34,903.70 lacs for the Fiscal 2015 mainly due to increase in the sale of motors, alternators and generators and DG sets by 7.89% and 98.57% respectively. As a percentage of revenue from operations, our material consumption stood at 74.12% in Fiscal 2016 and 68.33% in Fiscal 2015.

Change in Inventory

In Fiscal 2016, the changes in inventories of finished goods, work-in-progress and stock-in-trade stood at ₹ 355.36 lacs as compared to ₹ 5,785.48 lacs in Fiscal 2015. The decrease in the inventory levels in Fiscal 2016 was primarily due to measures taken by our Company to clear the existing inventory and efficient management of the inventory for future course of business.

Employee benefits

Our personnel expenses marginally decreased by 0.53% to ₹ 7,517.43 lacs for the Fiscal 2016 from ₹ 7,557.25 lacs for the Fiscal 2015, primarily due to reduction in staff welfare expenses by 14.76% to ₹ 797.65 lacs in Fiscal 2016 from ₹ 935.78 lacs in Fiscal 2015. Our employee benefit expense, as a percentage of our revenue from operations, stood at 13.72% during Fiscal 2016 as compared to 14.79% in Fiscal 2015.

Finance costs

Our finance costs decreased by 5.15% to ₹ 4,185.68 lacs for the Fiscal 2016 as compared to ₹ 4,413.14 lacs for the Fiscal 2015, mainly due to reduction in the interest rate from average 14% in Fiscal 2015 to 11% in Fiscal 2016 on account of restructuring of bank loans besides reduction in the interest outflow for public deposits on account of repayment of certain deposits amounting to ₹ 1,715.70 lacs in Fiscal 2016. Our finance cost, as a percentage of our revenue from operations, stood at 7.64% during Fiscal 2016 as compared to 8.64% in Fiscal 2015.

Depreciation and Amortisation

The depreciation and amortisation expenses remained almost even at ₹ 1,101.07 lacs for the Fiscal 2016 from ₹ 1,103.81 lacs for the Fiscal 2015 mainly due to marginal deletion and additions in the gross block during the year. Depreciation and Amortisation, as a percentage of our revenue from operations, stood at 2.01% during Fiscal 2016 as compared to 2.16% in Fiscal 2015.

Other expenses

Our other expenses have decreased y-o-y by 19.40% to ₹ 6,640.63 lacs in Fiscal 2016 from ₹ 8,238.96 lacs in Fiscal 2015. This was mainly on account of decrease in selling expenses by 6.80%, commission by 48.51%, warranty claims by 43.77%, postage & telegram by 19.49%, partly set-off by increase in repairs and maintenance by 13.66%, allowance for doubtful loans and advances of ₹ 352 lacs in Fiscal 2016 and net loss in foreign currency transaction and translation to ₹ 66.43 lacs in Fiscal 2016 from ₹ 25.20 lacs in Fiscal 2015. Our other expenses, as a percentage of our revenue from operations, stood at 12.12% during Fiscal 2016 as compared to 16.13% in Fiscal 2015.

Loss before exceptional items and tax

As a result of the above, our loss before exceptional items and tax, decreased by ₹ 5,323.10 lacs, or 50.26% to ₹ 5,268.12 lacs, representing -9.56% of our total revenue, in Fiscal 2016 from ₹ 10,591.32 lacs, representing - 20.60% of our total revenue, in Fiscal 2015.

Loss after tax

As a result of the above, loss after tax decreased by ₹ 9,861.59 lacs or 76.01% from ₹ 12,974.63 lacs in Fiscal 2015 to ₹ 3,113.04 lacs in Fiscal 2016. The loss after tax for the year Fiscal 2015 and Fiscal 2016 represents -25.24% and -5.65% respectively of total revenues.

Fiscal 2015 compared to Fiscal 2014

Total Revenues

Our total revenue decreased to ₹ 51,411.02 lacs for the Fiscal 2015 from ₹ 69,704.62 lacs for the Fiscal 2014. Despite our Company's repetitive efforts by making investments in our step down subsidiary, LDW incurred substantial losses

during the previous two years (i.e., Fiscal 2014 and Fiscal 2013) thereby eroding its net-worth. The continued investment by our Company in LDW and the substantial losses incurred in LDW have heavily impacted the working capital of our Company.

Therefore, the severe working capital crunch in the Company led to (a) the funding issues for the procurement of raw materials on time to convert them in finished goods, (b) delay in payments to vendors and other service providers which resulted in the increase in cost of production. Thus, due to the above reasons our Company was in no position to accept fresh orders for its products.

Hence, our total revenues decreased by 26.24%.

Revenue from Operations

Our revenue from operations decreased by 24.86% to ₹ 51,080.32 lacs for the Fiscal 2015 from ₹ 67,984.27 lacs for the Fiscal 2014. The decrease in revenues was mainly on account of the reasons mentioned above.

Other Income

Our other income substantially decreased by 80.78% to ₹ 330.70 lacs for the Fiscal 2015 from ₹ 1,720.35 lacs for the Fiscal 2014. Our Company, based on its strategy to revive the operations of LDW, was continuously making efforts to invest in LDW. Therefore, in line with its strategy, our Company sold certain fixed assets for a profit of ₹ 1,237.61 lacs which was partly invested further in LDW and the balance in our Company to improve its working capital situation to certain extent. Such profit on sale of fixed assets accounted for 71.94% of the total other income for Fiscal 2014.

Total Expenditure

Our total expenditure for the Fiscal 2015 was ₹ 62,002.34 lacs as compared to ₹ 73,805.35 lacs for the Fiscal 2014, y-o-y marginal decrease of 15.99%. This was mainly due to reduction in sales resulting in reduction in total cost of consumption (including change in inventory) by 22.68%. This further led to (a) reduction in power & fuel by 19.91%, (b) decrease in selling expenses by 11.32%, (c) reduction in traveling cost by 26.68% and (d) reduction in repairs to machinery by 42.15% amongst others; besides increase in interest expense by 14.13% or ₹ 505.97 lacs, rent receipts by 30.34%, rates & taxes by 71.09%, increase in commission by 156.55% or ₹ 44.10 lacs and provision for doubtful loans and advances by ₹ 32.12 lacs or 268.56% amongst others. Total expenditure, as a percentage of our revenue from operations, stood at 121.38% during Fiscal 2015 as compared to 108.56% in Fiscal 2014.

Cost of material consumed

Our material consumption expenses decreased by 36.33% to ₹ 34,903.70 lacs for the Fiscal 2015 from ₹ 54,823.15 lacs for the Fiscal 2014 mainly due to reduction in revenue from operations by 24.86%. As a percentage of total revenue, our material consumption decreased to 67.89% in Fiscal 2015 from 78.65% in Fiscal 2014. Cost of material consumed, as a percentage of our revenue from operations, stood at 68.33% during Fiscal 2015 as compared to 80.64% in Fiscal 2014.

Change in Inventory

In Fiscal 2015, the changes in inventories of finished goods, work-in-progress and stock-in-trade stood at ₹ 5,785.48 lacs as compared to ₹ (2,201.19) lacs in Fiscal 2014. The decrease in the inventory levels in Fiscal 2015 was primarily due to measures taken by our Company to clear the existing inventory and efficient management of the inventory for future course of business.

Employee benefits

Our personnel expenses marginally decreased by 4.19% to ₹ 7,557.25 lacs for the Fiscal 2015 from ₹ 7,887.83 lacs for the Fiscal 2014, primarily due to reduction in head count by ~ 10% y-o-y and reduction in the staff welfare expenses by 8.69% to ₹ 935.78 lacs in Fiscal 2015 from ₹ 1,024.79 lacs in Fiscal 2014. Employee benefit expense, as a percentage of our revenue from operations, stood at 14.79% during Fiscal 2015 as compared to 11.60% in Fiscal 2014.

Finance costs

Our finance costs increased by 5.23% to ₹ 4,413.14 lacs for the Fiscal 2015 as compared to ₹ 4,193.87 lacs for the Fiscal 2014, mainly due to increase in the interest expense arising out of the higher utilisation / over utilisation of working capital facilities. Finance costs, as a percentage of our revenue from operations, stood at 8.64% during Fiscal 2015 as compared to 6.17% in Fiscal 2014.

Depreciation and Amortisation

The depreciation and amortisation expenses decreased by 5.78% to ₹ 1,103.81 lacs for the Fiscal 2015 from ₹ 1,171.55 lacs for the Fiscal 2014 mainly due to certain assets being fully depreciated thereby attainting their useful life during Fiscal 2014. Depreciation and Amortisation, as a percentage of our revenue from operations, stood at 2.16% during Fiscal 2015 as compared to 1.72% in Fiscal 2014.

Other expenses

Our other expenses have increased y-o-y by 3.89% to ₹ 8,238.96 lacs in Fiscal 2015 from ₹ 7,930.14 lacs in Fiscal 2014. The increase was mainly on account of (a) increase in provision for assets held for sale by 797.03% or ₹ 531.78 lacs, (b) provision for contingencies of ₹ 1,518.14 for Fiscal 2015, (c) loss on sale of fixed assets of ₹ 283.35 lacs, (d) increase in commission by 156.55% and (e) rates and taxes by 71.09% amongst others; partly offset by decrease in traveling expenses by 26.68%, net loss in foreign currency transaction and translation to ₹ 25.20 lacs in Fiscal 2015 from ₹ 262.33 lacs in Fiscal 2014 and allowance for doubtful trade receivables by ₹ 621.67 lacs in Fiscal 2014 amongst others. Other expenses, as a percentage of our revenue from operations, stood at 16.13% during Fiscal 2015 as compared to 11.66% in Fiscal 2014.

Loss before exceptional items and tax

As a result of the above, our loss before exceptional items and tax, substantially increased by ₹ 6,490.59 lacs, or 158.28% to ₹ 10,591.32 lacs, representing -20.60% of our total revenue, in Fiscal 2015 from ₹ 4,100.73 lacs, representing -5.88% of our total revenue, in Fiscal 2014.

Loss after tax

As a result of the above, loss after tax widened by ₹ 8,873.67 lacs from ₹ 4,100.96 lacs in Fiscal 2014 to ₹ 12,974.63 lacs in Fiscal 2015. The loss after tax for the year Fiscal 2014 and Fiscal 2015 represents -5.88% and -25.24% respectively of total revenues.

Liquidity and Capital Resources

As of March 31, 2016, we had cash and bank balances of ₹ 2,598.03 lacs. Cash and bank balances consist of cash on hand and deposit accounts including fixed deposits. Our primary liquidity needs have been to finance our operations, working capital needs, debt service and capital expenditures. We have historically met our liquidity needs through a combination of borrowings, capital raising and internally generated cash flows.

We expect to meet our working capital requirements primarily from the cash flows from our business operations and working capital borrowings from banks and other lenders as may be required.

Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations.

Our long-term liquidity requirements include repayment of debt under our bank borrowings. Sources of funding our long-term liquidity requirements include new loans, equity or debt issues.

Cash flows

Set forth below is a table of selected information from our Company's standalone audited statements of cash flows for the periods indicated.

(₹ in lacs)

Particulars	Fiscal 2016	Fiscal 2015	Fiscal 2014
Net cash from/ (used in) operating activities	363.33	(1,489.16)	6,343.89
Net cash from/ (used in) investing activities	1,529.22	(2,389.80)	(1,897.54)
Net cash from/ (used in) financing activities	(1,563.39)	242.51	(1,624.03)
Net increase/ (decrease) in cash and cash equivalents	329.16	(3,636.45)	2,822.32
Opening cash and cash equivalents	1,038.66	4,675.11	1,852.79
Closing cash and cash equivalents	1,367.82	1,038.66	4,675.11

Net cash from/used in operating activities

Net cash from operating activities in Fiscal 2016 was ₹ 363.33 lacs and our operating profit before working capital changes for that period was ₹ 794.70 lacs. The difference was primarily attributable to ₹ 416.70 lacs increase in inventories, ₹ 641.40 lacs decrease in trade and other receivables, ₹ 474.53 lacs decrease in trade payables and other current liabilities and a payment of ₹ 181.54 lacs in taxes including tax deducted at source.

Net cash from operating activities in Fiscal 2015 was ₹ (1,489.16) lacs and our operating loss before working capital changes for that period was ₹ 2,771.27 lacs. The difference was primarily attributable to ₹ 3,911.95 lacs decrease in trade and other receivables, ₹ 6,116.14 lacs decrease in inventories, ₹ 8,699.98 lacs decrease in trade payables and other current liabilities and ₹ 46 lacs paid in taxes including taxes deducted at source.

Net cash from operating activities in Fiscal 2014 was ₹ 6,343.89 lacs and our operating profit before working capital changes for that period was ₹ 684.65 lacs. The difference was primarily attributable to a ₹ 1,966.14 lacs increase in inventories, ₹ 4,918.42 lacs increase in trade payables and other current liabilities and ₹ 54.79 lacs paid in taxes including taxes deducted at source. This was partially off-set by ₹ 2,751.75 lacs decrease in trade and other receivables.

Net cash used in investing activities

In Fiscal 2016, our net cash from investing activities was ₹ 1,529.22 lacs. This primarily reflected the payments of ₹ 493.54 lacs towards purchase of fixed assets and ₹ 285.77 lacs increase in margin money and short term deposits partly off set by ₹ 2,155.18 lacs towards sale of shares of our Company held by KECL Investment Trust wherein our Company was the sole beneficiary of the trust pursuant to the trust deed, ₹ 81.72 lacs towards interest income received and ₹ 65.11 lacs towards sale of property plant and equipment (i.e., obsolete assets).

In Fiscal 2015, our net cash used in investing activities was ₹ 2,389.80 lacs. This reflected the payments of ₹ 319.67 lacs towards purchase of fixed assets, ₹ 9,436 lacs towards investments in subsidiaries and ₹ 496.69 lacs towards margin money and short term deposits partly off set by ₹ 1,703.04 lacs towards sale of property plant & equipment, ₹ 6,063.50 lacs towards sale of investments in one of our erstwhile subsidiary, Kirsons B.V. to another subsidiary, Luxquisite Parkland Private Limited and ₹ 89.24 lacs towards interest income received.

In Fiscal 2014, our net cash used in investing activities was ₹ 1,897.54 lacs. This reflected the payments of ₹ 298.71 lacs towards purchase of fixed assets and ₹ 3,628.13 lacs towards investments in subsidiary partly off set by ₹ 1,247.03 lacs towards proceeds from sale of property, plant and equipment, ₹ 305.59 lacs towards advance received from sale of assets, ₹ 392.57 lacs towards increase in margin money and short term deposits and ₹ 75.41 lacs towards interest income received.

Net cash from financing activities

In Fiscal 2016, our net cash used in financing activities was ₹ 1,563.39 lacs. This primarily reflected the payments of ₹ 1,148.20 lacs towards fixed deposits accepted from public (net), ₹ 844.30 lacs towards repayment of ICDs (net) and ₹ 2,810.64 lacs towards finance costs partly off set by ₹ 3,652.70 lacs towards proceeds from long term borrowings.

In Fiscal 2015, our net cash generated from financing activities was ₹ 242.51 lacs. This primarily reflected the payments of ₹ 590.50 lacs towards long term borrowings (net), ₹ 2,405.05 lacs towards issuance of equity shares to the Promoters and ₹ 2,330.87 lacs towards increase in short term borrowings partly off set by ₹ 1,070.14 lacs towards repayment of fixed deposits accepted from public and ₹ 4,308.40 lacs towards finance costs.

In Fiscal 2014, our net cash used in financing activities was ₹ 1,624.03 lacs. This primarily reflected the payments of ₹ 625.26 lacs towards repayment of ICDs, ₹ 1,028.20 lacs towards short term borrowings and ₹ 4,188.35 lacs towards finance cost partly offset by ₹ 2,974.89 lacs towards proceeds from long term borrowings and ₹ 1,283.50 lacs towards proceeds from fixed deposits accepted from public (net).

Purchases of fixed assets

For Fiscal 2016, 2015 and 2014 (on standalone basis), our purchases/increase in fixed assets were ₹ 645.07 lacs, ₹ 209.06 lacs and ₹ 562.47 lacs, respectively. The following table provides a breakdown of our capital expenditure spend by category during the periods indicated.

(₹ in lacs)

Asset class	Fiscal 2016	Fiscal 2015	Fiscal 2014
Land and building	151.56	4.61	259.65
Plant and equipment	130.41	36.88	87.64
Other fixed assets	363.10	167.57	215.18
Total*	**645.07**	**209.06**	**562.47**

** includes capital work in progress and intangible assets*

Financial indebtedness

The following table sets forth our Company's secured and unsecured debt position (on standalone basis) as at March 31, 2016.

(₹ in lacs)

Particulars	March 31, 2016
Long Term Borrowings	
Secured Loans	7,328.63
Unsecured Loans	561.70
Sub-Total	**7,890.33**
Current Maturities of Long Term Borrowings	3,463.55
Total Long Term Borrowings (A)	**11,353.88**
Short Term Borrowings	
Secured Loans	11,562.37
Unsecured Loans	2,859.72
Total Short Term Borrowings (A)	**14,422.09**
Total (A+B)	**25,775.97**

Details of Long Term Borrowings

Particulars	March 31, 2016
Secured	
Term loan from banks	8,607.18
Less: Current Maturities	1,278.55
Sub Total (A)	**7,328.63**
Unsecured	

Particulars	March 31, 2016
Fixed deposits	2,746.70
Less: Current Maturities	2,185.00
Sub Total (B)	**561.70**
Total (A+B)	**7,890.33**

Contingent Liabilities as at March 31, 2016

Sl No.	Particulars	Amount *(₹ in lac)*
1	Claims against the Company not acknowledged as debts	1,740.51
2	Guarantees	2,879.21
3	Letters of credit	8,239.20
4	Bills discounted with Bank	1,207.81
5	Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bengaluru quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of ₹ 46.18 lacs paid has been included in disputed statutory dues and the Company is confident of receiving the refund from the PF authorities.	Nil
6	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.	365.54
7	Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to ₹ 2,836.95 lacs and Maharashtra Value Added Tax, 2002 amounting to ₹ 399.46 lacs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of ₹ 658.88 lacs (as at March 31, 2015 ₹ 643.46 lacs) against the demand which has been included in disputed statutory dues.	5,269.65
8	Our Company has filed before the Honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honourable High Court of Karnataka. The Company has paid an aggregate amount of ₹ 479.23 lacs (as at March 31, 2015 ₹ 369.23 lacs) against the demand which has been included in disputed statutory dues as reported in Note 16.	889.37
9	Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	208.21
10	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
11	Interest if any, on account of delays in payment to suppliers.	Not Ascertainable
12	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	0.90
13	Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by the Company.	1,370.49
14	Our Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lacs (as at March 31, 2015 ₹ 200 lacs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lacs along with dividends in arrears of ₹ 205.60 lacs 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 Company has deposited during the year ₹ 102.80 lacs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. The Company does not acknowledge this liability.	405.60
15	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	1,164.66
16	Corporate Guarantee given to its wholly owned subsidiary	6,594.12
17	Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per Master Restructuring Agreement.	514.00

Certain Qualifications and Emphasis of Matters Noted by Auditors

Statutory auditors of our Company has included certain qualifications/ observations and matters of emphasis in their respective audit reports of our Company in the last five financial years immediately preceding the date of this Preliminary Placement Document, including with respect to the Companies (Auditor's Report) Order, 2003, 2015 and 2016, as applicable. The table below sets out the remarks of the Auditor and the management's response to such remarks:

For our Company

Fiscal 2012

On Standalone Basis

Sr. No	Remarks	Management's Response
	Emphasis of Matter	
1.	Note 9 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.	The Company, despite its repetitive efforts to know the category of its vendors, could not ascertain their category and thus was not able to segregate dues to micro, small and medium enterprises. Further, no such interest was claimed/ paid to any of the vendors. Hence, no provision was required to be made.
2	Note 36 to the financial statements regarding accounts of certain debtors, creditors, loans and advances, balances between the Company, its erstwhile subsidiary Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited being subject to review/reconciliation/identification. Further debts above two years and considered as good by management is estimated at ₹ 2,386.24 lacs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/advances.	The review, reconciliation and identification of any doubtful debts is a continuous process and the Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same
3	Note 2 of annexure to audit report and Note 37 to the financial statements regarding SAP ERP systems being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements of ₹ 13,174.60 lacs is as certified by the management and could not be verified by us. Annexure to Audit Report: 2(a) Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. Certain stocks lying with third parties, stock lying at port and with inter-units are subject to confirmation/reconciliation. 2(b). The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of	When the company went in for implementation of SAP ERP, some errors and inconsistencies in the area of material accounting, valuation of inventories, creation of masters and upload of balances had crept in. These are basically on account of inaccurate definition of master information as well as change in material code. We have rectified in all such cases were we are in a position to identify. However in absence of complete identification, we have adopted the closing stock as per physical inventory taken. Further, the inventory value of the previous year is based on the actual physical inventory taken and this is uploaded as the opening balance into the system. Since the opening & the closing inventories in the books are based on the physical inventory, inconsistency in material accounting has been taken care and has no impact on the revenue.

Sr. No	Remarks	Management's Response
	the Company and the nature of its business except at certain units where the same need to be strengthened. 2(c). The Company has implemented SAP ECC 6 systems at a majority of its units. Certain mistakes and omissions to the extent identified during the year have been corrected based on physical verification taken from time to time (refer note 37 (a) of the financial statements). The Company is in the process of quantifying the excess and shortages adjusted in the books of account on a comprehensive basis. Accordingly, we are unable to state whether the discrepancies between book records and inventory are material and whether they have been properly dealt with in the books of account.	
4	Note 39 to the financial statements regarding realizable value of assets held for sale of ₹ 793.09 lacs being assessed by management without the support of an external valuation or quotations from prospective buyers.	The Company was in discussion with certain interested parties. Since the discussions were on-going with the parties and the prices quoted by the parties was sufficient to cover the commercial interest of our Company
5	Note 40 to the financial statements regarding amounts due from certain companies of ₹ 431.93 lacs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery. In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.	Despite such amounts due from certain companies, we believed that these are still recoverable

On Consolidated Basis

Sr. No	Remarks	Management's Response
	Emphasis of Matter	
1.	Note 13 to the financial statements regarding complete particulars regarding dues to Micro, Small & Medium Enterprises by the parent company not being ascertained, with consequential non provision for interest due.	The Company, despite its repetitive efforts to know the category of its vendors, could not ascertain their category and thus was not able to segregate dues to micro, small and medium enterprises. Further, no such interest was claimed/ paid to any of the vendors. Hence, no provision was required to be made.
2	Note 39 to the financial statements regarding accounts of certain debtors, creditors, loans & advances, balances between the parent company, its erstwhile subsidiary Kaytee Switchgear Limited and operating business of Kirloskar Power Equipment Limited being subject to review/reconciliation. Further, debts above two years of the parent company and considered as good by management is estimated at ₹ 2,386.24 lacs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/ advances.	The review, reconciliation and identification of any doubtful debts is a continuous process and the Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same

Sr. No	Remarks	Management's Response
3	Note 40 of the financial statements regarding SAP ECC 6 systems in respect of parent company, being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Certain mistakes and omissions to the extent identified during the year in respect of parent company have been corrected based on physical verification taken from time to time. Further comprehensive identification/reconciliation of excess/shortages in respect of inventories of the parent company is in process. Accordingly, value of inventories adopted in the financial statements in respect of the parent company of ₹ 13,174.60 lacs is as certified by the management and could not be verified by us.	When the company went in for implementation of SAP ERP, some errors and inconsistencies in the area of material accounting, valuation of inventories, creation of masters and upload of balances had crept in. These are basically on account of inaccurate definition of master information as well as change in material code. We have rectified in all such cases were we are in a position to identify. However in absence of complete identification, we have adopted the closing stock as per physical inventory taken. Further, the inventory value of the previous year is based on the actual physical inventory taken and this is uploaded as the opening balance into the system. Since the opening & the closing inventories in the books are based on the physical inventory, inconsistency in material accounting has been taken care and has no impact on the revenue.
4	Note 42 to financial statements regarding realizable value of assets held for sale of ₹ 793.09 lacs being assessed by management without the support of an external valuation or quotations from prospective buyers.	The Company was in discussion with certain interested parties. Since the discussions were on-going with the parties and the prices quoted by the parties was sufficient to cover the commercial interest of our Company
5	Note 43 to the financial statements regarding amounts due from certain companies of ₹ 431.93 lacs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery. In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.	Despite such amounts due from certain companies, we believed that these are still recoverable

Fiscal 2013

On Standalone Basis

Sr. No	Remarks	Management's Response
	Basis of our Qualified Opinion:	
1.	Note 10 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.	The Company, despite its repetitive efforts to know the category of its vendors, could not ascertain their category and thus was not able to segregate dues to micro, small and medium enterprises. Further, no such interest was claimed/ paid to any of the vendors. Hence, no provision was required to be made.
2	Note 37 (a) to the financial statements regarding confirmation of2 balances from trade receivables being awaited and accounts of certain trade receivables being subject to review/ reconciliation/ identification of doubtful debts. Debts above two years and considered as good by management is estimated at ₹ 1,940.45 lacs. The relevant accounts are subject to adjustments, if required after management completes review,	The review, reconciliation and identification of any doubtful debts is a continuous process and the Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same

Sr. No	Remarks	Management's Response
	reconciliation and identification of further doubtful debts.	
3	Para 2(c) of the annexure to this report and Note 38 to the financial statements regarding certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. Further, work in progress at certain units as at March 31, 2013 with aggregate carrying value of ₹ 5,658.81 lacs includes non-moving and old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value and reusability is under progress. The determination of cost or net realizable value in respect of work in progress is not in line with Accounting Standard (AS) - 2. Annexure to Audit Report: 2(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 (refer note 38 of the financial statements). The Company is in the process of quantifying the differences to be adjusted in the books of account on a comprehensive basis. Accordingly, we are unable to state whether the discrepancies between books/records and inventory are material and whether they have been properly dealt with in the books of account.	When the company went in for implementation of SAP ERP, some errors and inconsistencies in the area of material accounting, valuation of inventories, creation of masters and upload of balances had crept in. These are basically on account of inaccurate definition of master information as well as change in material code. We have rectified in all such cases were we are in a position to identify. However in absence of complete identification, we have adopted the closing stock as per physical inventory taken. Further, the inventory value of the previous year is based on the actual physical inventory taken and this is uploaded as the opening balance into the system. Since the opening & the closing inventories in the books are based on the physical inventory, inconsistency in material accounting has been taken care and has no impact on the revenue.
4	Note 40 to the financial statements regarding realizable value of assets held for sale (₹ 793.09 lacs) being assessed by management without the support of an external valuation or quotations from prospective buyers. In all cases referred to above, effect on revenue, assets and liabilities is not ascertainable. We do not express any independent opinion in these matters.	The Company was in discussion with certain interested parties. Since the discussions were on-going with the parties and the prices quoted by the parties was sufficient to cover the commercial interest of our Company
	Emphasis of Matter	
1	Attention is invited to note 51 of the financial statements, that Lloyd Dynamowerke GmbH & Co. KG, Germany ("LDW") has incurred losses for the year, management's representation that it has sufficient orders in hand, is confident of earning profits in the subsequent years and that the diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) of ₹15,458.53 lacs is considered temporary and no provision is considered necessary. Our report is not qualified in this respect.	Due to the challenges faced by the industry because of macro-economic factors, our Company undertook various measures including restructuring the operations and the borrowings of LDW based on which we believed that LDW and its operations could be revived. Thus, we were of the opinion that the diminution value is to be considered temporary and no provision is required for LDW.

On Consolidated Basis

Sr. No	Remarks	Management's Response
	Emphasis of Matter	
1.	Note 13 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.	The Company, despite its repetitive efforts to know the category of its vendors, could not ascertain their category and thus was not able to segregate dues to micro, small and medium enterprises. Further, no such interest was claimed/ paid to any of the vendors. Hence, no provision was required to be made.
2	Note 39 (a) to the financial statements regarding confirmation of balances from trade receivables being awaited and accounts of certain trade receivables being subject to review/reconciliation/identification of doubtful debts. Debts above two years and considered as good by management is estimated at ₹ 1,940.45 lacs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts.	The review, reconciliation and identification of any doubtful debts is a continuous process and the Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same
3	Note 40 to the financial statements regarding 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 and comprehensive identification/ reconciliation of excess/shortages in respect of inventories of the parent company is in process. Further, work in progress at certain units as at March 31, 2013 with aggregate carrying value of ₹ 5,658.81 lacs includes non-moving and old inventories in respect of which physical identification/ reconciliation/assessment of net realizable value and reusability is under progress. The determination of cost or net realizable value in respect of work in progress is not in line with Accounting Standard (AS) – 2.	When the company went in for implementation of SAP ERP, some errors and inconsistencies in the area of material accounting, valuation of inventories, creation of masters and upload of balances had crept in. These are basically on account of inaccurate definition of master information as well as change in material code. We have rectified in all such cases were we are in a position to identify. However in absence of complete identification, we have adopted the closing stock as per physical inventory taken. Further, the inventory value of the previous year is based on the actual physical inventory taken and this is uploaded as the opening balance into the system. Since the opening and the closing inventories in the books are based on the physical inventory, inconsistency in material accounting has been taken care and has no impact on the revenue.
4	Note 42 to the financial statements regarding realizable value of assets held for sale (₹ 793.09 lacs) being assessed by management without the support of an external valuation or quotations from prospective buyers. In all cases referred to above, effect on revenue, assets and liabilities is not ascertainable. We do not express any independent opinion in these matters.	The Company was in discussion with certain interested parties. Since the discussions were on-going with the parties and the prices quoted by the parties was sufficient to cover the commercial interest of our Company

Fiscal 2014

On Standalone Basis

Sr. No	Remarks	Management's Response
	Emphasis of Matter	
1.	We draw reference to Note 23 (a) (viii) of the financial statements which describes the special	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012

Sr. No	Remarks	Management's Response
	leave petitions in respect of resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs 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.	sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court which is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.
2	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 ₹ 19,086.66 lacs 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.	Due to the challenges faced by the industry because of macro-economic factors, during Fiscal 2014, our Company undertook various measures including restructuring the operations and the borrowings of LDW based on which we believed that LDW and its operations could be revived. Thus, we were of the opinion that the diminution value is to be considered temporary and no provision is required for LDW.

On Consolidated Basis

Sr. No	Remarks	Management's Response
	Emphasis of Matter	
1.	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 ₹ 527 lacs and ₹ 362 lacs 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 have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012 sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court which is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.
2	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.	As enumerated in point 2 of the Standalone Basis, our Company had taken various steps to revive the operations of LDW. We therefore believed that such steps will create a positive impact on the performance and financial results of the company. Therefore, we considered that there is no requirement for us to undertake impairment in the value of goodwill arising on consolidation and that no adjustment is required to be carried out to the financial statements of our Company.

Fiscal 2015

On Standalone Basis

Sr. No	Remarks	Management's Response
	Basis of Qualified Opinion	
	Attention of the members is invited to note 54 (a), (b) and (d) of the financial statements, which sets out the	Company has already realised a part of the consideration and hence it is confident that the

Sr. No	Remarks	Management's Response
1	sale of certain assets comprising of immoveable property and book debts by the Company to its wholly owned subsidiaries and the consequent recognition of profits resulting therefrom. We have relied on the representation of the management that it is confident of realization of the entire amounts due from the said subsidiaries of ₹ 18,452.51 lacs. Ultimate shortfall in realization of assets transferred to its subsidiaries, if any, is not ascertainable at this stage. The transactions between the Company and its wholly owned subsidiaries referred to notes 54 are subject to the approval of the members by way of special resolutions in terms of section 188 of the Companies Act, 2013, rule15 (2) of the Companies (Meetings of Boards and its Powers), Rules, 2014 and other applicable provisions, if any.	balance consideration due from the subsidiaries shall also be realised. Further, in terms of section 188 of the Companies Act, 2013, rule15 (2) of the Companies (Meetings of Boards and its Powers), Rules, 2014, the Company had already obtained the members approval for the transactions with its wholly owned subsidiaries in its Extra-Ordinary General Meeting held on June 30, 2015 subsequently.
	Emphasis of Matter	
1	Attention of the members is invited to note 54 (c) of the financial statements regarding execution of deeds of immovable properties in favour of certain subsidiaries before March 31, 2015, the legal advice obtained by the Company that these properties have already vested in the relevant subsidiaries on the date of execution of the concerned deeds, even though payment of stamp duty and registration will be done subsequently. We have relied on the legal opinion obtained by the Company in this respect and management's representation that the payment of duty will be made within the time limit and registration completed. Our report is not qualified in this respect.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the executed sale deeds were registered in next fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in the Company.
2	Attention of the members is invited to note 55 of the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, even though the net worth of the group, consisting of the Company, its subsidiaries and its associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the executed sale deeds were registered in next fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in the Company. Therefore, our directors were of the opinion to compile the financial statements as a going concern basis.
3	Attention of the members is invited to note 57 of the financial statements which sets out that the Company has filed special leave petitions in respect of demands for resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012 sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court which is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.

Sr. No	Remarks	Management's Response
	be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.	

On Consolidated Basis

Sr. No	Remarks	Management's Response
	Basis for Qualified Opinion:	
1.	Attention is invited to note 40 to the financial statements regarding debts exceeding two year and considered as good by management estimated at ₹ 3,767.09 lacs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts. We are unable to express an independent opinion on the same.	The review, reconciliation and identification of any doubtful debts is a continuous process and the Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same.
2.	Attention is invited to foot notes 1 to 4 to note 6 to the financial statements regarding non consolidation of the financial statements of a) LDW, step down subsidiary of the parent company for the period from April 1, 2014 to September 7, 2014, pending receipt of data from the insolvency administrator appointed by the court in Germany and that the Group had no control over the said subsidiary from September 8, 2014 although Kirsons BV (subsidiary of the parent company) continues to be its shareholder and b) Lloyd Beteiligungs GmbH, step down subsidiary of the parent company, pending receipt of financial statements.	Pursuant to the insolvency petition filed by the directors of LDW in Germany and the appointment of insolvency administrator, our Company lost its control over LDW. Therefore, our Company had no role to play in the insolvency proceedings of LDW and it was completely managed by the insolvency administrator. Thus, our Company could not access the data from the insolvency administrator as we had no control over the company and Kirsons BV, the parent company of LDW, was just the shareholder of the company.
	Emphasis of Matter	
1.	Attention of the members is invited to note 53 to the consolidated financial statements, where in the directors have detailed the reasons for compiling the consolidated financial statements on a going concern basis, even though the net worth of the Group, has been eroded. The appropriateness of the said basis is subject to the Group adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the sale deed was executed in the next fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in the Company. Therefore, our directors were of the opinion to compile the financial statements as a going concern basis.
2	Attention of the members is invited to note 54 to the consolidated financial statements which sets	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012

Sr. No	Remarks	Management's Response
	out that the parent company has filed special leave petitions in respect of demands for resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.	sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court which is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.

Fiscal 2016

On Standalone Basis

Sr. No	Remarks	Management's Response
	Basis of Qualified Opinion	
1.	Attention of the members is invited to note 52 of the financial statements, regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immoveable properties and receivables. We have relied on management's representations that it is confident of realization of amounts due from the said subsidiaries aggregating to ₹ 14,950.73 lacs (previous year ₹ 18,452.51 lacs). Shortfall in realization of consideration receivable, if any, could not be ascertained.	We have realised a part of the consideration and hence that the balance consideration due from the subsidiaries shall also be realised.
	Emphasis of Matter	
1.	Attention of the members is invited to note 53 of the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, though the net worth of the group, consisting of the Company, its subsidiaries and associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the executed sale deeds were registered in current fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in the Company. Therefore, our directors were of the opinion to compile the financial statements as a going concern basis.
2.	Attention of the members is invited to note 54 of the financial statements which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012 sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court wherein the petition was accepted on March 8, 2016. The matter is presently pending for hearing. Thus, we believe, no provision is required to be

Sr. No	Remarks	Management's Response
	provision is required to be recognized in this regard. We have relied on this representation. Our report is not qualified in this respect.	recognized in this respect for the reason stated therein.

On Consolidated Basis

Sr. No	Remarks	Management's Response
	Basis of Qualified Opinion	
1.	Attention is invited to note 41 to the financial statements regarding debts exceeding two year and considered as good by management estimated at ₹ 4,601 lacs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts. We are unable to express an independent opinion on the same.	The review, reconciliation and identification of any doubtful debts is a continuous process and our Company believes that the entire dues shall be recovered from such debtors and thus there was no need to create any provision for the same.
	Emphasis of Matter	
1.	Attention of the members is invited to note 53 to the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, even though the net worth of the group, consisting of the Company, its subsidiaries and its associate have been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the sale deed was executed in the next fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in the Company. Therefore, our directors were of the opinion to compile the financial statements as a going concern basis.
2.	Attention of the members is invited to note 55 to the financial statements, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lacs and Rs.362 lacs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012 sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court wherein the petition was accepted on March 8, 2016. The matter is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.

For three months ended June 30, 2016 (as reported)

Standalone basis

Sr. No	Remarks	Management's Response
	Basis of Qualified Opinion	

Sr. No	Remarks	Management's Response
	Attention of the members is invited to foot note 5 to the Statement regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immoveable properties, receivables and expenses reimbursed. We have relied on management's representations that it is confident of realization of amounts due from the said subsidiaries aggregating to ₹ 14,773.29 lacs (as at March 31, 2016, ₹ 14,950.73 lacs). Shortfall in realization of the amount outstanding, if any, could not be ascertained.	Our Company has already realised a part of the consideration and hence it is confident that the balance consideration due from the subsidiaries shall also be realised.
	Emphasis of Matter	
1	Foot note 6 of the Statement, where in the directors have detailed the reasons for compiling the Statement on a going concern basis, though the net worth of the group, consisting of the Company, its subsidiaries and associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management.	Pursuant to measures undertaken by our Company to revive its financial condition, we implemented the JLF mechanism and thereby corrective action plans were drawn and put in place in mutual consultation with the lender banks. Although, our Company had entered in to agreement to sale with its respective subsidiaries, the loans were sanctioned by the lender banks only on March 31, 2015 due to which the executed sale deeds were registered in current fiscal year. Further, pursuant to the JLF mechanism, our Promoters also infused ₹ 2,500 lacs in our Company. Therefore, our directors were of the opinion to compile the financial statements as a going concern basis.
2	Foot note 7 to the Statement, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of ₹ 527 lacs and ₹ 362 Lacs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no provision is required to be recognized in this regard. We have relied on this representation.	We have filed the special leave petitions on October 18, 2013 in respect of resale tax and May 8, 2012 sales tax penalty of ₹ 527 lacs and ₹ 362 lacs respectively before Hon'ble Supreme Court wherein the petition was accepted on March 8, 2016. The matter is presently pending for hearing. Thus, we believe, no provision is required to be recognized in this respect for the reason stated therein.

Off-Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Foreign exchange risk

We face foreign exchange risk in respect of currency translation for the purpose of import/ export of certain materials for the manufacture/ sale of our products. For details, see *"**Risk Factors**" and "**Significant Factors Affecting our Results of Operations - Foreign currency fluctuations**"* on pages 40 and 68.

Interest rate risk

We are exposed to market rate risk due to changes in interest rates on our credit facilities that we entered into, from time to time. We are subject to interest rate risk due to fluctuation in interest rates, primarily in relation to our debt obligations with floating interest rates. We also have borrowing costs which have been capitalized as capital work in progress, which are linked to applicable benchmark rates.

As at March 31, 2016, we had ₹ 25,775.97 lacs of total outstanding indebtedness, which exposed us to market risk as a result of changes in interest rates. We undertake debt obligations to support our working capital needs and capital expenditure. Upward fluctuations in interest rates increase the cost of debt and interest cost of outstanding variable rate borrowings. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk.

Commodity price risk

We are exposed to market risk with respect to the prices of certain raw materials used for manufacturing of our products. These commodities majorly include copper and steel. The costs for these raw materials are subject to fluctuation based on commodity prices.

Inflation risk

Inflationary factors such as increases in the input costs and overhead costs may adversely affect our operating results. There may be time lag in recovering the inflation impact from our customer and we may not be able to recover the full impact of such inflation. A high rate of inflation in the future may, therefore, have an adverse effect on our ability to maintain our profit margins.

Credit risk

We are subject to the risk that our counterparties under various financial or customer agreements will not meet their obligations. Our credit risk exposure relates to our operating activities and our financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events to the best of our knowledge, other than as described in this Preliminary Placement Document, which may be called "unusual" or "infrequent".

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Other than as mentioned under the heading titled '***Factors Affecting Results of Our Operations***' on page 68 in this chapter, "***Risk Factors****" and "****Key Regulations and Policies in India***" on page 40 and page 126, respectively, to the best knowledge of the management of our Company, there are no other significant economic changes that materially affect or are likely to affect income from continuing operations.

3. Future changes in relationship between costs and income

Other than as described elsewhere in this Preliminary Placement Document, particularly in this chapter, to the knowledge of the management of our Company, there are no known factors that might affect the future relationship between costs and revenues.

4. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Changes in revenues during the last three years are as explained in the part *Fiscal 2016 compared to Fiscal 2015 and Fiscal 2015 compared to Fiscal 2014* in this chapter.

5. Status of any publicly announced new products or business segments

Except as described in this chapter and the chapter/section titled '***Our Business***' and '***Risk Factors***' on page numbers 108 and 40, respectively, there are currently no publicly announced new products or business segments.

6. Seasonality of Business

Our business is not seasonal in nature.

7. Any significant dependence on a single or few suppliers or customers

While we are not dependent on any single raw material supplier/ customer, raw material supply and pricing can be volatile due to a number of factors beyond our control, including global demand and supply, transportation and labour costs, labour unrest, natural disasters, competition, import duties, tariffs and currency exchange rates, and any unanticipated variation in any of these factors could have a material adverse effect on our operations.

8. Competitive Conditions

We face competition from existing and potential competitors which is common for any business. We have, over a period of time, developed certain competitive strengths which have been discussed in the chapter titled "***Our Business***" on page 108.

Transactions with related parties

For details in relation to the related party transactions entered by our Company during the last three Financial Years, as per the requirements under "Accounting Standard 18 – Related Party Transactions" specified under the Companies Act, 2013, see "***Financial Statements***" on page 205.

Significant Developments after March 31, 2016

To our knowledge and belief, except as disclosed in this Preliminary Placement Document, no circumstances have arisen since the date of the last audited financial statements contained in this Preliminary Placement Document which materially affect or are likely to affect, the trading and profitability of our Company, or the value of our assets or our ability to pay material liabilities within the next 12 months. For details in relation to our unaudited standalone financial results for three month period ending June 30, 2016, please see "*Financial Statements*" on page 205.

INDUSTRY

The information set forth in this section is based on publicly available information, which has not been independently verified by our Company or the BRLM to the Issue, or any of their respective affiliates and advisors. None of us, the BRLM or any other person connected with the Issue has verified this information. Industry sources and publications generally state that the report has been published for general information purposes and that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. Several reports also expressly disclaim legal responsibility and liability of the person/ organisation preparing the report for any loss or damage resulting from the contents of such reports. Accordingly, we and the BRLM do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.

Overview of the Indian Economy

India is the world's fourth largest economy, with a population of 1.25 billion people. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, which began in the early 1990s served to accelerate the country's growth. *(Source: CIA World Factbook)*

India's growth rebounded in 2014 and 2015, with both years exceeding 7%. Investors' perception of India improved in early 2014, due to a reduction of the current account deficit and expectations of post-election economic reforms, resulting in a surge of inbound capital flows and stabilization of the rupee. The outlook for India's long-term growth is moderately positive due to a young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy.*(Source: CIA World Factbook)* The GDP of India accelerated in fiscal 2015, rising by 7.3% on top of a growth of 6.9% in fiscal 2014. *(Source: RBI Annual Report)*

For the Indian economy, the outlook for growth is improving gradually. Business confidence remains robust, and as the initiatives announced in the Union Budget to boost investment in infrastructure roll out, they should crowd in private investment and revive consumer sentiment, especially as inflation ebbs. In the first quarter of fiscal 2016, indicators of real activity have broadly tracked the Reserve Bank's baseline projection of output growth (at basic prices) at 7.6% for the year as a whole, up from 7.2% in fiscal 2015. (Source: RBI Annual Report)

Further, the International Monetary Fund estimates India's growth at 7.5% for 2016 and 2017. As per IMF's estimates in April 2016, there is a gradual increase in the global weight of fast growing countries such as India and China which plays a role in boosting global growth. It is estimated that the growth of Indian economy will continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes. With the revival of sentiment and pickup in industrial activity, a recovery of private investment is expected to further strengthen growth. *(Source: World Economic Outlook Update for April 2016. Available at http://www.imf.org/external/pubs/ft/weo/2016/01/)*

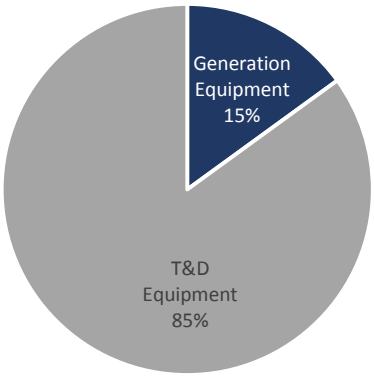
Overview of the Indian Electrical Equipment Industry

India's electrical equipment industry is highly diverse and manufactures a wide range of high and low technology products. The industry directly employs around half a million persons and provides indirect employment to another one million people. (Source: Indian Electrical Equipment Industry Mission Plan 2012-2022) The industry production in fiscal 2015 was ₹ 136,953 Cr. and contributes 9.5% in value to the entire Indian manufacturing sector, translating to 1.2% of India's GDP. The exports during the same fiscal year were ₹ 35,419 Cr. (Source: IEEMA). Further, the generation equipment segment is targeted to reach a size of ₹ 125,000 Cr. and the T&D equipment segment is targeted to reach a size of ₹ 375,000 Cr. by 2022. The electrical equipment industry, comprising these two segments, is targeted to reach a size of ₹ 500,000 Cr. (US$ 100 billion) by 2022. *(Source: Indian Electrical Equipment Industry Mission Plan 2012-2022)*

The Indian electrical equipment industry comprises Generation Equipment and Transmission & Distribution (T&D) Equipment. The generation equipment includes boilers, turbines and generators, whereas T&D Equipment includes transformers, switchgears, transmission lines, cables, energy meters and other equipment such as capacitors, instrument transformers and surge arrestors etc. *(Source: Indian Electrical Equipment Industry Mission Plan 2012-2022)*

The generation equipment sector stands for around 15 per cent while the T&D equipment sector accounts for close to 85 per cent of the total industry base. *(Source: http://www.brandindiaelectricals.com/about-indian-electricals-equipment; http://103.25.128.126/~brand554india/overview/)*

Indian Electrical Equipment Industry Segmentation



Indian Electrical Equipment Industry Sub – Segmentation (Fiscal 2015)

Equipment	₹ Cr
Boilers	13,491
Turbines	3,503
Generators	3,229
Cables	33,000
Switchgear & Control gear	14,700
Transformers	10,600
Transmission Lines	10,000
Conductors	10,000
Rotating Machines (Motors, AC Generators, Generating Sets)	6,500
Energy Meters	2,800
Capacitors	530
Other Electrical Equipment (insulators, surge arrestors, stamping & lamination, winding wires, instrument transformers, industrial electronics, etc.)	28,600
Total	**1,36,953**

(Source: IEEMA)

India's Electrical Equipment industry is expected to grow steadily and witness growth opportunities as a result of the government's focus on capacity augmentation across generation, transmission and distribution. Further, there has been an overall growth in most segments of the electrical equipment industry — in boilers, turbines, generators, transformers, switchgears, and wires and cables due to the high demand from central and state power utilities. *(Source: Indian Electrical Equipment Industry Mission Plan 2012-2022)*

With state-of-the-art technology in most sub-sectors at par with global standards, the major export markets for Indian electrical equipment are United States of America, United Arab Emirates, Germany, United Kingdom, Nigeria, Saudi

Arabia, Australia, Brazil, Canada and France. *(Source: http://www.brandindiaelectricals.com/about-indian-electricals-equipment; http://103.25.128.126/~brand554india/overview/)*

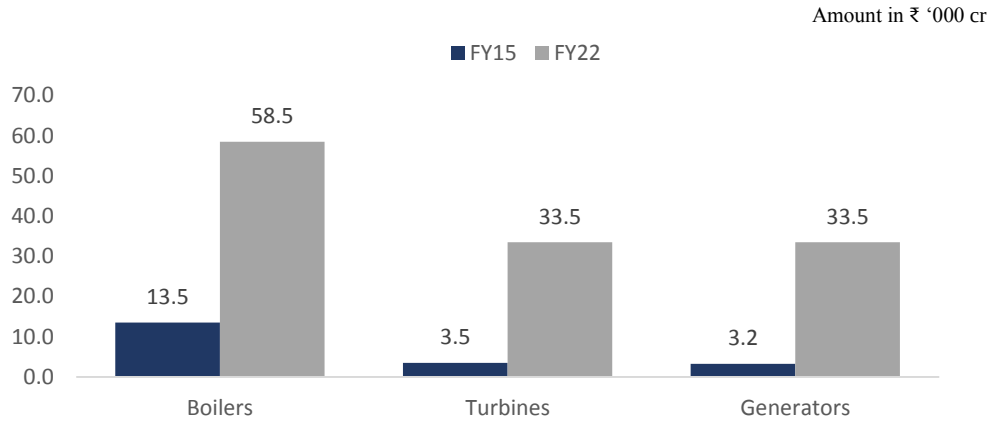
The major export products are Rotating Machines (Motors, AC Generators, Generating Sets) & Parts, Switchgear and Control gear, Transformers & Parts, Cables, Industrial Electronics, Boilers & Parts, Transmission Line Towers etc. *(Source:http://www.brandindiaelectricals.com/about-indian-electricals-equipment; http://103.25.128.126/~brand554india/overview/*

Overview of Generation Equipment's

Generation equipment such as boilers and turbines are being produced at full capacity utilization to meet the growing demand in the country. Many companies have set up new capacities, while the existing ones are augmenting their capacities.

Generation equipment production in India is estimated at around ₹ 20,223 crore in fiscal 2015. Further, the generation equipment segment is targeted to reach a size in the range of ₹ 125,000 – 150,000 Cr. by fiscal 2022. In the Generation equipment segment boilers is the major segment followed by turbines and generators.

Generation Equipment wise demand



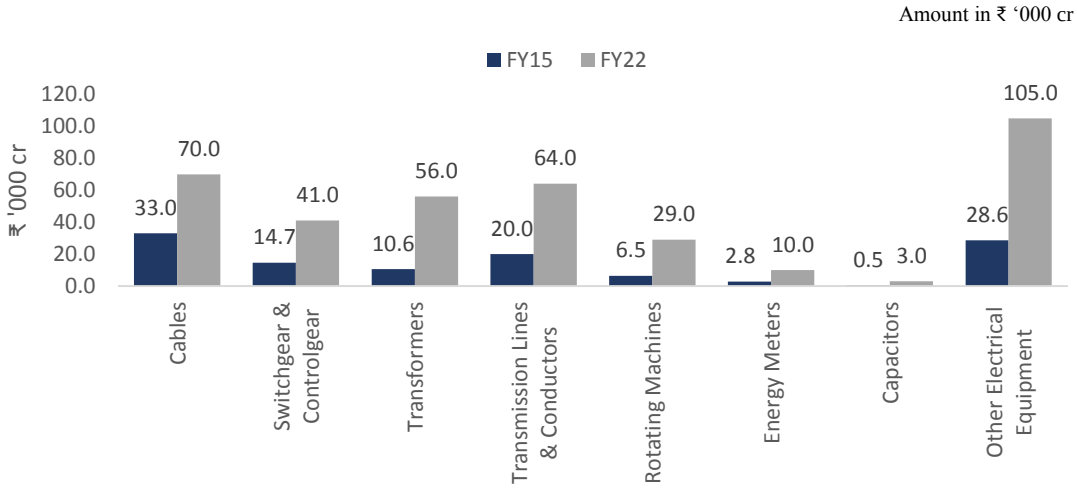
(Source: IEEMA, Indian Electrical Equipment Industry Mission Plan 2012-2022)

Overview of the T&D Equipment

India's T&D equipment industry is heterogeneous and manufactures a wide variety of equipment from transmission line towers, transformers, switchgear, rotating machines to energy meters. The industry is also characterised by the presence of a large number of SMEs.

India's electrical equipment industry has witnessed significant growth in the past. The major T&D electrical equipment have grown at a CAGR of 23.1% from a small base of ₹ 18,000 crore in Fiscal 2006 to ₹ 116,730 crore in Fiscal 2015.

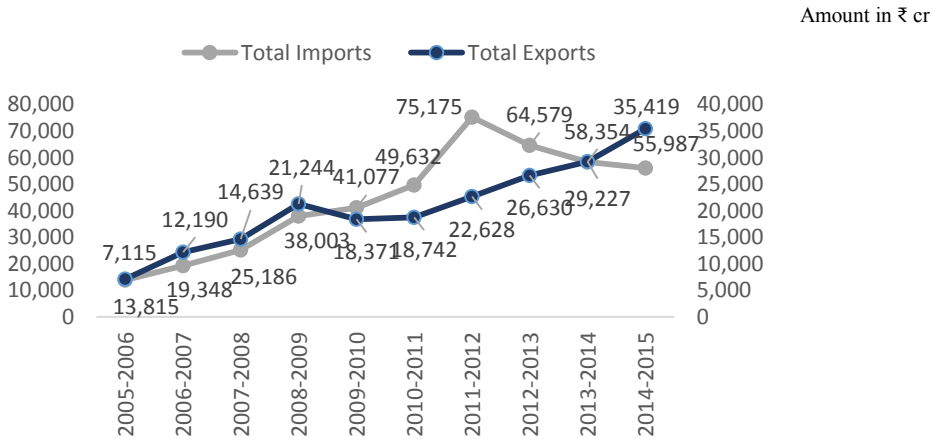
T&D Equipment wise demand



(Source: IEEMA, Indian Electrical Equipment Industry Mission Plan 2012-2022)

Electrical Equipment's Export and Import from India

India's Export and Import of Electrical Equipment Industry (Fiscal 2015)

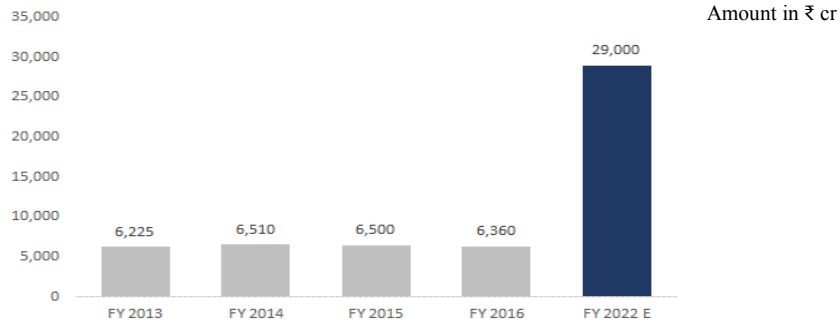


(Source: IEEMA)

Overview of Rotating Machines

Rotating machines consist of LT motors, FHP motors, HT motors, DC machines, Alternators etc. The size of rotating machines is estimated to be around ₹ 6,500 cr for fiscal 2015 and is further estimated to reach ₹ 29,000 cr by fiscal 2022. The rotating machine segment is estimated to have made an export of around ₹ 1,567 cr in fiscal 2015.

Market Size of Rotating Machines Group



(Source: IEEMA, Indian Electrical Equipment Industry Mission Plan 2012-2022)

Overview of Transformers

The transformers sub-segment of the Indian T&D Equipment industry comprises around 8-10% of the total IEE industry and had an aggregate installed capacity of around 4.20 lac mega volt ampere (MVA) as on March 31, 2015.

Transformers are classified into two major segments, viz., power transformers and distribution transformers. Power transformers alone are utilised in power generation stations, while both power and distribution transformers are employed in operating transmission and distribution utilities. Power transformers contribute to 45 per cent of the total market, while distribution transformers account for the bulk of the industry at 55 per cent. (Source: http://103.25.128.126/~brand554india/transformers/)

Over past few years till Fiscal 2014, entities in the Indian Transformer Industry witnessed decline in profitability and deterioration in debt coverage indicators. However, Fiscal 2015 witnessed a reversal in profitability trend with a marginal improvement over Fiscal 2014.

The key factors for the subdued performance in the transformer sector

(i) Huge transformer manufacturing capacity build-up but due to lower capacity additions in generation sector, the transformer manufacturing capacities remained underutilized (ii) Reduction in orders and surge in imports majority from China (iii) Increase in material cost majorly copper, which is a key raw material forming around 30-35% of total transformer cost has increased over the years i.e. from ~₹ 250/kg in fiscal 2009 to ~₹400/kg in fiscal 2015 (iv) Increase in working capital borrowings and high working capital intensity - Lower cash accruals, delayed payments from clients including state power utilities and private players and delays in project execution resulted in tightening of liquidity, as reflected by an increase in the median gross operating cycle of listed transformer manufactures from 166 days in Fiscal 2011 to 240 days in Fiscal 2014. This was largely funded through incremental bank borrowings in light of lower accruals.

Key growth drivers for the transformer sector

Investment planned in power sector - India is expected to add 278 GW of generation capacity in the next seven years till Fiscal 2022 including conventional and non-conventional energy sources. A total investment of ₹ 13.73 lac crore is planned for the power sector for 12th FYP, which is likely to fuel the demand for transformers.

Growth Drivers for the Indian Electrical Equipment Industry

1. Indian Electrical Equipment Industry Mission Plan 2012-2022

The plan sets the guidelines for making India the choice for production of electrical equipment, thereby making way for domestic production of electrical equipment and reach an output of US$ 100 billion by balancing exports and imports. Some of the focus areas as part of the mission plan include achieving industry competitiveness, technology up-gradation, skill development, promoting growth in exports, including export to emerging markets and enabling conversion of latent demand.

2. Growth in core sectors catered by the Industry

The growth of Indian Electrical Equipment Industry is largely dependent on the growth of the core sectors of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries

a. Power Sector

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar, and agricultural and domestic waste. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required.

Market Size

Power is one of the most critical components of infrastructure crucial for the economic growth and welfare of nations. The existence and development of adequate infrastructure is essential for sustained growth of the Indian economy. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. The Planning Commission's 12th Five-Year Plan (12th FYP) estimates total domestic energy production to reach 669.6 million tonnes of oil equivalent (MTOE) by 2016–17 and 844 MTOE by 2021–22.

Based on the investment in the power sector in India for the period between 12th FYP and thereafter, set forth below is the estimated cumulative spend on electrical equipment.

Plan-wise equipment demand (cumulative)		**₹ ' 000 Cr**
Equipment	**2012 to 2017**	**2017 till 2022**
Generation Equipment	300 – 350	500 – 600
T&D Equipment	700 – 750	1,000 – 1,150

(Source: Indian Electrical Equipment Industry Mission Plan 2012-2022)

India's wind energy market is expected to attract investments totalling ₹ 1,00,000 Cr. (US$ 15.7 billion) by 2020, and wind power capacity is estimated to almost double by 2020 from over 23,000 MW in June 2015, with an addition of about 4,000 MW per annum in the next five years. Around 293 global and domestic companies have committed to generate 266 GW of solar, wind, mini-hydel and biomass-based power in India over the next 5–10 years. The initiative would entail an investment of about US$ 310–350 billion.

Some initiatives by the Government of India to boost the Indian power sector:

- The Ministry of New & Renewable Energy is implementing two national level programmes, namely Grid Connected Rooftop & Small Solar Power Plants Programme and Off-Grid and Decentralized Solar Applications, in order to promote installation of solar rooftop systems.

- The Government of Odisha plans to set up a large 1,000-MW solar power park under public-private partnership (PPP) mode involving an investment of about ₹ 6,500 crore (US$ 1 billion).

- A Joint Indo-US PACE Setter Fund has been established, with a contribution of US$ 4 million from each side to enhance clean energy cooperation.

- The Government of India announced a massive renewable power production target of 175,000 MW by 2022; this comprises generation of 100,000 MW from solar power, 60,000 MW from wind energy, 10,000 MW from biomass, and 5,000 MW from small hydro power projects.

- The Union Cabinet of India approved 15,000 MW of grid-connected solar power projects of National Thermal Power Corp Ltd (NTPC).

The Road Ahead

The Indian power sector has an investment potential of ₹ 15 trillion (US$ 237 billion) in the next 4–5 years, thereby providing immense opportunities in power generation, distribution, transmission and equipment industry.

The government's immediate goal is to generate two trillion units (kilowatt hours) of energy by 2019. This means doubling the current production capacity to provide 24x7 electricity for residential, industrial, commercial and agriculture use.

Exchange Rate Used: INR 1 = US$ 0.015 as on December 17, 2015

Source: IBEF;

b. Steel

Market Size

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second-largest producer by 2016. India's crude steel capacity reached 109.85 Million Tonnes (MT) in 2014-15, a growth of 7.4 per cent. Production of crude steel grew by 8.9 per cent to 88. 98 MT. Total finished steel production for sale increased by 5.1 per cent to 92.16 MT. Consumption of total finished steel increased 3.9 per cent to 76.99 MT.

The steel sector in India contributes nearly 2% of the country's gross domestic product (GDP) and employs over 600,000 people. The per capita consumption of total finished steel in the country has risen from 51 Kg in 2009-10 to about 59 Kg in 2014-15. India's steel consumption for FY 2015-16 is estimated to increase by 7 per cent, higher than 2 per cent growth last year, due to improving economic activity.

Government Initiatives

- Government of India plans to auction eight coal blocks with reserves of 1,143 million tons to steel and cement firms in 2016.
- Government has planned Special Purpose Vehicles (SPVs) with four iron ore rich states i.e., Karnataka, Jharkhand, Orissa, and Chhattisgarh to set up plants having capacity between 3 to 6 MTPA.
- A Project Monitoring Group (PMG) has been constituted under the Cabinet Secretariat to fast track various clearances/resolution of issues related to investments of ₹ 1,000 crore (US$ 152 million) or more.

Road ahead

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

Exchange Rate: INR 1 = US$ 0.015 as on December 17, 2015

Source: IBEF;

c. Cement

Market Size

India is the second largest producer of cement in the world. Cement demand in India is expected to increase due to government's push for large infrastructure projects, leading to 45 million tonnes of cement needed in the next three to four years.

India's cement demand is expected to reach 550-600 Million Tonnes Per Annum (MTPA) by 2025. The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at nine per cent.

To meet the rise in demand, cement companies are expected to add 56 million tonnes (MT) capacity over the next three years. The cement capacity in India may register a growth of eight per cent by next year end to 395 MT from the current level of 366 MT. It may increase further to 421 MT by the end of 2017. The country's per capita consumption stands at around 190 kg.

Government Initiatives

- Budget 2016-17 has proposed a slew of measures to boost infrastructure and investment such as 100 per cent deduction for profits to an undertaking in housing project for flats up to 30 square meters in four metro cities and 60 square meters in other cities approved during June 2016 to March 2019 and completed in three years

- Incremental spend on smart city development, the government has allocated ₹ 7,296 crore (can give USD figures) towards Urban Rejuvenation Mission (AMRUT and Mission for Development of 100 Smart Cities

- Rise in allocation under Pradhan Mantri Gram Sadak Yojana (PMGSY) to ₹ 19,000 crore (US$ 2.79 billion) for FY17.

- The Andhra Pradesh State Investment Promotion Board (SIPB) has approved proposals worth ₹ 9,200 crore (US$ 1.35 billion) including three cement plants.

Road Ahead

The eastern states of India are likely to be the newer and virgin markets for cement companies and could contribute to their bottom line in future. In the next 10 years, India could become the main exporter of clinker and gray cement to the Middle East, Africa, and other developing nations of the world. Cement plants near the ports, for instance the plants in Gujarat and Visakhapatnam, will have an added advantage for exports and will logistically be well armed to face stiff competition from cement plants in the interior of the country.

Exchange Rate Used: INR 1 = US$ 0.0147 as on March 01, 2016

Source: IBEF;

d. **Indian Railways**

Market size

The Indian Railways is among the world’s largest. Spread across 7,146 stations, the 64,600-km network enables the running of 19,000 trains on a daily basis. India's railway network is recognised as one of the largest railway systems in the world under single management. The total approximate earnings of Indian Railways on originating basis during FY2014-15 were ₹ 157,880 crore (US$ 23.68 billion) compared to ₹ 140,761 crore (US$ 21.11 billion) during the same period last year, registering an increase of 12.16 per cent.

Currently, Indian Railways is focusing on finishing the capacity-augmentation projects that have the highest rates of return. There are 154 New Line, 42 Gauge Conversion, 166 Doubling and 54 Railway Electrification projects across the country estimated at a cost of ₹ 285,652 crore (US$ 42.87 billion).

Government Initiatives

- During first seven months of FY 2015-16, Indian Railways awarded projects worth ₹ 10,594 crore (US$ 1.59 billion), more than double the value of those awarded in the same period last year. Most of these projects involve engineering, procurement and construction (EPC) contracts.

- State government of Maharashtra has planned to set up a Special Purpose Vehicle (SPV), Maharashtra Railway Infrastructure Development Company, with a view to ensure that the various development projects are completed in a time bound manner.

- In August, a memorandum of understanding was signed between the Ministry of Railways in India and the Czech Railways (Ceske Drahy) and Association of Czech Railway Industry (ACRI) of the Czech Republic on technical cooperation in the field of the railways sector.

- The Government of India has cleared a proposal to allow 100 per cent FDI in railway infrastructure, barring operations, via the automatic route. FDI channeled through this route does not require prior government approvals.

- The Union Cabinet has given its approval for establishing a new rail coach manufacturing unit at Kolar, Karnataka. The unit will produce 500 coaches per annum at a projected cost of ₹ 1,460.92 crore (US$ 219.34 million).

Road Ahead

The Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market will be the 3rd largest, accounting for 10 per cent of the global market.

Exchange Rate: INR 1 = US$ 0.0150 as on December 17, 2015

Source: IBEF;

e. Oil & Gas

Market Size

The oil and gas sector is among the six core industries in India and plays a major role in influencing decision making for all the other important sections of the economy. The Indian oil and gas industry is anticipated to be worth US$ 139.8 billion by 2015. Backed by new oil fields, domestic oil output is anticipated to grow to 1 MBPD by FY16. Gas consumption is likely to expand at a Compound Annual Growth Rate (CAGR) of 21 per cent during FY08–17.

India is the fifth-largest Liquefied Natural Gas (LNG) importer after Japan, South Korea, the United Kingdom and Spain and accounts for 5.5 percent of the total global trade. The LNG imports had increased by 24 per cent year-on-year in January 2016 to1.98 Billion Cubic Metres (BCM). Domestic LNG demand is expected to grow at a CAGR of 16.89 per cent to 306.54 Million Metric Standard Cubic Meter per Day by 2021 from 64 MMSCMD in 2015.

The country's gas production is expected to touch 90 Billion Cubic Metres in 2040 from 35 BCM in 2013. Gas pipeline infrastructure in the country stood at 15,808 km in December 2015.

Government Initiatives

- Government of India has introduced initiatives like the Hydrocarbon Exploration Licensing Policy, Marketing and Pricing freedom for new gas production, grant of extension to the Production Sharing Contracts.

- The Ministry of Petroleum and Natural Gas has announced a new 'Marginal Fields Policy', which aims to bring into production 69 marginal oil and gas fields with 89 million tons or ₹ 75,000 crore (US$ 11 billion) worth of reserves, by offering various incentives to oil and gas explorers such as exemption from payment of oil cess and customs duty on machinery and equipment.

Road Ahead

By 2015-16, India's demand for gas may touch 124 MTPA against a domestic supply of 33 MTPA and higher imports of 47.2 MTPA, leaving a shortage of 44 MTPA, as per projections by the Petroleum and Natural Gas Ministry of India. Business Monitor International predicts that India would account for 12.4 per cent of Asia-Pacific regional oil demand by 2015.

Exchange Rate Used: INR 1 = US$ 0.0147 as on March 01, 2016

Source: IBEF;

BUSINESS

Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and also the section "Risk Factors" for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Our fiscal year ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

The financial figures used in this chapter, unless otherwise stated, have been derived from our Company's Standalone audited financial statements for the relevant years.

Overview:

We are one of the leading electrical capital goods equipment manufacturing companies in India. We are primarily engaged in the business of manufacturing and sales of electric motors, that is, AC machines and DC machines, AC generators ('**Rotating Machines Group**'), transformers, switchgears and silent diesel generator sets ('**Power Generation and Distribution Group**'), projects and systems ('**Others**'). We have been in the business of manufacturing and sales of electrical capital goods equipment for over six (6) decades and have consistently been one of the leading suppliers of electric motors in India. This has not only resulted in getting repeat orders but also helped in adding new customers and new geographies.

Established in 1946, our Company ushered the indigenous electrical engineering industry. With over six (6) decades of manufacturing experience, we have evolved to become an integrated multi-locational manufacturing company. We manufacture wide range of products under three (3) product groups namely Rotating Machines Group, Power Generation and Distribution Group and Others that cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries. We believe we are a one-stop solution provider to our customers, across sectors. We have progressed from being a manufacturer of electric motors to diversified electrical capital goods equipment such as AC generators, transformers, diesel generator sets, switchgears, projects and systems etc. We have strong design and engineering capabilities with in-depth knowledge of electrical capital goods equipment. Our Company is founded by Late Ravi Kirloskar and is presently led by his son Vijay Kirloskar. He has over three decades of experience in the field of sales and marketing and electrical industry and was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries.

Being an integrated manufacturer, we conceptualise, design, manufacture and deliver our products in each of the business segments from our multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Our infrastructure includes press shop, machine shop, component design and engineering, development centres along with inspection laboratories. All our manufacturing facilities are equipped with engineering development facilities which primarily cater to in-house requirements of our Company in material science, new product design and development, product optimization, prototyping and test validation. We are committed to providing quality products to our customers and in this relation hold various certifications, approvals and accreditations including ISO 9001:2008 and BIS – 1180 standards, OHSAS 18001 certifications for implementing occupational health and safety management systems at such facilities. Certain of our products are also certified to be compliant with various national and international quality standards. This enables us to offer our products built uniquely around our customer's needs.

We believe that our engineering and development capabilities have enabled us to keep abreast of technological developments in our industry. We have a strong focus on constantly adopting the technology that is used in our products and the processes used in manufacturing thereof, through our continuing engineering and development efforts. We have established in-house engineering and development centres in each of our facilities. Our engineering and development efforts include offering solutions for import substitutes for electric motors, motors for electric vehicles, mining transformers, high frequency generator sets and test setups amongst others.

We have professionally managed teams including trained engineers experienced in all streams and cross functions. As on June 30, 2016, our Company had 1,431 permanent employees besides hiring contract labors pursuant to the need of business.

We manufacture and sell our products under '*Kirloskar Electric*'. We have a strong marketing network across geographies for sales and marketing and aftermarket support. Our products are exported to several countries including Tanzania, Kuwait, Bangladesh, Netherlands and Oman. As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India. In order to provide services to our customers, we have also set-up a dedicated toll-free helpline for delivering product information, technical details, etc. Further, with an objective to reach out to dealers, we organise dealers' meet during our product launch, new developments and other initiatives. We have long-standing relationships with several domestic and international players and have been recognized as an "Approved Supplier" for the products manufactured by us.

The table below provides information regarding revenue from operations relating to business segments during Fiscals 2016, 2015 and 2014 as per the standalone audited financial statements and unaudited standalone financial results as of and for the three months ended June 30, 2016:

(₹ in lacs)

Segment	**Three months ended June 30, 2016**		**Fiscal 2016**		**Fiscal 2015**		**Fiscal 2014**	
	Revenue from operations	**%**	**Revenue from operations**	**%**	**Revenue from operations**	**%**	**Revenue from operations**	**%**
Rotating Machines Group	5,485.73	36.77%	27,288.91	49.82%	25,658.33	50.23%	34,157.92	50.24%
Power Generation and Distribution Group	8,992.86	60.27%	24,619.64	44.95%	22,779.32	44.60%	28,563.08	42.02%
Others	441.61	2.96%	2,866.60	5.23%	2,642.67	5.17%	5,263.27	7.74%
Total	**14,920.20**	**100.00%**	**54,775.15**	**100.00%**	**51,080.32**	**100.00%**	**67,984.27**	**100.00%**

OUR STRENGTHS

Our principal competitive strengths are set forth below:

Established brand in the electrical capital goods equipment industry

We are an established manufacturer of electrical capital goods equipment in India and we manufacture and sell our products under '*Kirloskar Electric*'. We are one of the leading market players with wide range of product portfolio for electrical capital goods equipment in India. We believe that our focus on maintaining customized design, engineering, quality and reliability across our product verticals and on continuous technological improvements of our products, together with our extensive sales and marketing efforts have enabled us to develop a strong brand recognition in the industry. We enjoy significant brand recall and customer loyalty for our products which enables us to expand our business on continuous basis.

Being one of the oldest manufacturers of electrical capital goods equipment in India, we have an established presence in the market for our products. We cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries.

Large and diversified product portfolio

Since our incorporation in 1946 as a B2B focused manufacturer of electrical capital goods equipment, we have significantly expanded our product portfolio catering to requirements of a diversified customer base. We manufacture wide range of products under three (3) product groups namely Rotating Machines Group, Power Generation and

Distribution Group and Others that cater to core sector of the economy like power, renewal energy, mining, irrigation and water supply, railways, road transport, sugar, steel, cement, oil and gas and allied industries.

Although the technical specifications for our products are largely standardized, we undertake customization of our products based upon customers' requirement. We also undertake modifications to our products for certain OEMs. We believe our dedicated efforts towards expanding our product portfolio and our ability to identify our customers' requirements contribute significantly to our position in the industry and have resulted in us becoming a one-stop shop for such products. Further, we believe that our ability to adapt our offerings to match the needs of our consumers across a wide range of application gives us a competitive edge in the market for such products.

Robust manufacturing facilities with a focus on technology adoption

We combine engineering expertise with modern manufacturing techniques, to deliver quality products in a cost efficient manner. We manufacture all our products at the dedicated facilities for each product vertical. We also undertake testing of our products at our in-house testing facilities to ensure their quality. All our manufacturing facilities have been accredited with management system certificates for compliance with quality standards. Our manufacturing units 5, 7, 1, 2 and 25 situated in Mysore, Tumkur, Govenhalli and Hubli, respectively are accredited with ISO 9001:2008 certification. Further, our manufacturing unit situated at Pune is accredited with ISO: 9001: 2008, ISO 14001:2004, and BS OHSAS 18001: 2007 certification which has been issued by Bureau Veritas Verification in recognition of our business and safety procedures.

Presently, we have multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Our infrastructure includes press shop, machine shop, component design and engineering, development centres along with a well-equipped inspection laboratory and a calibration laboratory. All our manufacturing facilities are equipped with engineering development facilities which primarily cater to in-house requirements of our Company in material science, new product design and development, product optimization, prototyping and test validation. We have consistently undertaken expansion of our manufacturing facilities in the past with a view to capture increasing demand in the future. We believe that our manufacturing facilities enable us to expand our operations with an ease to meet future demand in minimum lead time. Additionally, our manufacturing facilities are equipped to manufacture customized products for our customers.

Well-developed engineering and design abilities

Over the years, we believe that we have adopted contemporary technology and product design capabilities. We believe that we have in-depth knowledge in engineering, design and development with which we innovate to meet our customers' requirements. We believe that our successful collaborations have enabled us to enhance our expertise and improve our technical skills, thereby empowering us to keep ourselves abreast of the latest technological developments to strengthen our market position.

Long standing market presence and relationship with our customers for over six decades

Our Company was set up in 1946 for the manufacture of AC motors ranging from 1 HP equipment, for various applications. With over six decades of manufacturing experience, our Company has grown into a multiproduct company with a basket of electrical products, catering to industrial segments. Our products are exported to several countries. As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India.

Our long standing presence in this segment helped us to understand the changing needs and preferences of our customers. Our relationships with our customers allow us to understand and cater to their diverse requirements, including the development of new products. We have been recognized as an "Approved Supplier" for the products manufactured by us. By virtue of our association with our customers, with constant improvement and adoption of technologies, augmented with quality, we believe that we enjoy considerable brand equity and reliability in the industry where we operate.

Experienced management team with a proven track record

Our operations are led by an experienced senior management group who we believe has the professional expertise and vision to maintain our position as one of the leading diverse electrical capital goods engineering companies. Our Company's senior management includes qualified personnel with rich experience in the industry in which we operate. Our Executive Chairman, Vijay Kirloskar has over three decades of experience in the field of sales and marketing and electrical industry and was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries. Our Managing Director, Vinayak Bapat has over 26 years of experience in the fields of business strategy development, financial assessment and business reorganisation. He has received Business Leadership award in 2015 from Indian Achievers Forum and was also awarded Recognition of Excellence from CFO 100 in 2014 and 2015. Our Executive Director - Sales, Anand Hunnur has over 32 years of experience in the field of sales and marketing. Our senior management team is supported by professionals and skilled, semi-skilled and contractual workers.

We believe that our qualified and experienced management and employees have contributed to our growth and the development of in-house processes and competencies. Our experienced and dedicated employees have performed key roles in implementing our various business strategies from time to time. For further details of our senior managerial personnel, please refer to chapter titled '***Board of Directors and Senior Management***' beginning on page 134.

OUR STRATEGIES

Our strategy is to build upon our competitive strengths and exploit business opportunities in the industry in which we operate, that leverages design to manufacturing competence. Our objective is to improve and consolidate our position in the manufacturing of electrical capital goods equipment. The key elements of our strategy are segregated into short term, medium term and long term, as follows:

Short-Term Strategy

Improve operational performance and competitiveness

In light of the difficult conditions being faced in our operations, our immediate focus is on improving our operating performance through a series of measures.

With respect to our operations, our focus is on the following steps to improve our operational efficiencies:

- Improvement of yields from our manufacturing process;
- Improvement in design capabilities enabling us to reduce per unit cost and improve profitability;
- Lowering rejections during the manufacturing process;
- Better working capital management;
- Better use of technology by leveraging the knowledge gained; and
- Increase capacity utilization by improving our order book

Medium-Term Strategy

Reduce our working capital cycle and focus on rationalizing our indebtedness

Due to the highly competitive nature of the industry in which we operate, it is critical for us to rationalize our costs to improve our margins. Presently, our working capital cycle extends up to 78 days. Our business requires working capital primarily for financing our raw material purchases and manufacturing our products before we receive payments from our customers. Moreover, our working capital requirements will increase in the event we undertake a larger number of orders as we grow our business. We are on verge of gradually improving our working capital cycles. The measures amongst others include just-in-time procurement, monitoring inventories for possible reduction in the volume of stock, cash management systems and negotiation of favorable commercial terms with vendors.

Moreover, we intend to rationalize our borrowings with the objective of reducing our overall finance costs and

improving our debt to equity ratio. Our aggregate standalone borrowings outstanding as on March 31, 2016 were ₹ 25,775.97 lacs and our debt to equity ratio as on March 31, 2016 was 17.15 times. We propose to repay/prepay our existing loans/debts, towards which, we intend to use a portion of the Proceeds of the Issue to reduce our overall indebtedness, finance costs and debt to equity ratio for future leverage.

Targeting new markets and strengthen our relationship with our existing customers

We intend to increase our sales and customer penetration by targeting new customer accounts in new markets and expanding our existing customer accounts in our principal markets by offering our entire range of products. Towards this objective, we seek to continue to consolidate and develop our relationships with renowned global players. We also believe that we will be able to capitalize on our brand equity, consistent performance and customer satisfaction in our existing markets and product verticals to target new customers.

We seek to implement measures to reduce our working capital cycles. We also like to strengthen our dealer network to enhance the market reach and increasing acceptance of our brand and products across product verticals in the domestic and global markets. We seek to increase our visibility in the market and focus on further promoting our brand, which we believe, will support our efforts in obtaining building new customers / dealers network. We propose to leverage our long-standing relationship with our existing customers to procure new orders and expand our presence in the global and domestic markets. In the past, we have been successfully able to leverage our relationships in the domestic markets to procure orders. We believe that our extensive domain knowledge, engineering and development capabilities, customized solutions and track record of performance have contributed to strengthening our relationship with our customers over the years. We intend to continue our strategic focus on growth opportunities in market by leveraging our existing client relationships and goodwill.

Further diversify our revenue stream from our operations by increasing the share of the product in our portfolio

Our Company has the capabilities to design, develop and manufacture products that augment our product portfolio. In past our Company has developed AC generators, medium volte transformers, various types of diesel generator sets for a diversified range of application based on specific requirements and meeting specification provided by our customers. Our Company intends to continuously identify requirements of new products and applications required by our customers and provide solutions by bringing modifications in the existing products or develop a new product for our customers. Our Company intends to keep on introducing new products either by in-house product designing and development capabilities and/or acquiring new technology in association with others. For example, we have recently developed 2.5MVA solar application transformers and the same has been approved by NTPC. We also developed number of distribution and power transformers for our customers as per specification provided by them. We have set up a dedicated team to focus on continuing improvements to the design framework and user interface of our products and related solutions. We adopt straight through processing that requires us to focus on exceptions rather than routine business transactions to enable further simplification of the user interface and creating a rich, intuitive and interactive user experience.

Increasing geographical penetration and expansion of addressable market

We intend to further grow our business by adding new dealers and customers in existing and new markets. In addition, we also intend to leverage our distribution network and existing relationships to be able to increase our revenues. As of June 30, 2016, our distribution network included over 150 dealers and channel partners. We have also set up 22 offices for sales and service network across the country. We intend to further expand this on continual basis for confident growth from new territory and extensive coverage. We believe that our strong marketing capabilities, wide distribution network and established relationships with our dealers and customers as well as our wide product range at various price segments will enable us to rapidly expand our dealer and customer base and provide a competitive advantage. In addition, we believe that our dealership network and proximity to dealers and markets will enable us to further improve our distribution reach and increase our brand visibility. We continue to focus on further growing our export sales.

Long-Term Strategy

Leverage our core capabilities and continue to focus on cost efficiencies

We shall continue to focus on developing new products based on innovative technology which will delight customers with improved quality and performance. We are committed to maintaining modern manufacturing facilities, which we believe improves the quality of our products, improves the efficiency in the production processes and operational. There exists immense potential in our existing line of business and we intend to maintain competitiveness of its existing business and achieve growth by capitalizing on its efficient and strong execution and implementation skills which shall help us realize our vision to evolve globally as value creator for customers.

We continue to focus on improving cost efficiencies and rightsizing and optimising the manufacturing process. We have implemented a number of measures targeted at increasing the operational efficiency, optimising costs, reducing inventory, consolidating manufacturing capacities and reducing waste. We also intend to introduce cross functional projects in order to have optimal materials consumption, energy savings and improve throughput.

Continue to focus on engineering and development

Engineering and development forms an integral part in our growth strategy. We provide an extensive range of assistance that complements our ability to efficiently manufacture all of our customer requirements. We have a dedicated team for carrying out in-house engineering design and development activities. Our strong in-house design division which is actively engaged in design development, validation and optimization, has professionals with required skill sets and competencies in line with market needs and customer expectations. The aforementioned engineering design and development capabilities enable us to develop new products and modify our existing range of products to meet the market requirements.

Our Company constantly invests in new methods, techniques and processes. We train and re-train our engineers on a continuous basis to have contemporary skill sets and expertise.

DESCRIPTION OF OUR PRODUCTS

The business of our company may be broadly divided into design, development and manufacturing of the following products to our customers:

Rotating Machines Group

Electric Motors

We manufacture wide range of AC motors from 0.12 KW to 8 MW in frames 63 to 900. An AC motor is an electric motor driven by an alternating current source. Our AC motors have low life cycle costs due to high efficiency, faster acceleration, and high reliability. Special electro-magnetic, mechanical and Ventilation circuit designs offer ultra-high efficiency resulting in significant energy saving.

They are characterized by streamlined design, excellent terminal performances due to efficient cooling systems and have lower noise levels during running. They are designed to have special end covers with on-line greasing facility. Rugged welded Our AC motors have a dual air circuit which help in developing higher power ratings and are suitable for a variety of industrial applications.

Our motors are provided with non-hygroscopic, composite and compatible insulation system resulting in enhanced insulation life offering high degree of reliability. The excellent thermal reserve and longer withstand time at cold and hot conditions enable these motors to be used for driving even stringent applications like agitators, conveyors, mills etc.

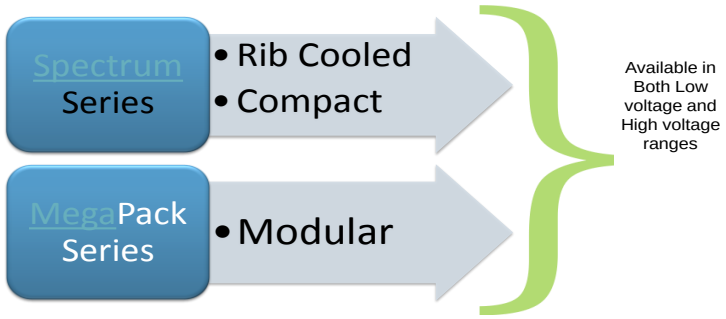
These AC motors are suitable for wide variety of applications, including centrifugal and axial fans, centrifugal and reciprocating compressors, pumps, conveyors, crushers, shredders and caters to steel, mining, cements, rubber, sugar and other industries.

We manufacture both high voltage and low voltage AC motors. There are two standard series of high voltage AC motors, Mega pack series and Spectrum series. Mega pack series is the latest series of high voltage three phase induction motors with the output range of 355 KW to 8000 KW. The basic modular construction feature has flexibility

of conversion from Air cooled to open type or water cooled motors and vice versa with minimal changes. Rugged welded steel structure ensures low vibration and withstands static and dynamic loads generated during transient and steady-state conditions. It is also designed for heavy duty operation and to withstand extreme mechanical stress and arduous ambient conditions. Mega pack series is suitable for a wide range of applications, including centrifugal and axial fans, centrifugal and reciprocating compressors, pumps, conveyors, crushers, shedders.

TYPES OF AC INDUCTION MOTORS

TWO STANDARD SERIES



Spectrum series is three phase high volt AC induction motors with the range of 90 to 1500 KW. These are basically rib-cooled machines with cast iron / welded steel stator frames. The fins provided on the outer shell results in increased surface area for cooling. Highly reliable and compact designs with Mica based insulation systems Spectrum motors are versatile and are ideal for wide range of industrial applications like pumps, centrifugal and reciprocating compressors, blowers, fans etc. and cater to power, chemical, steel, paper and refineries. We have technical know-how from Lloyd Dynamowerke GmBH & Co. KG, Germany for our AC machines.

We manufacture the following range of AC induction motors:

RAVI SERIES 0.12KW TO 300 KW

SPECTRUM SERIES 90KW TO 1500 KW

MEGAPACK SERIES 355KW TO 8MW

We manufacture wide variety of DC machines that fits a whole spectrum of requirements. Our product range of DC motors satisfies the need of a multitude of applications. A DC motor is an electric motor driven by a direct current. The output is the mechanical output which is connected to different types of loads like hot strip mills, cold rolling mills, fans, rod mills etc. Technical specification apart, these machines can be customized to suit different environmental conditions because of years of expertise in design, manufacturing and testing of machines across a wide breadth of applications.

We manufacture following range of DC machines motors:

DC MACHINES RANGE 0.5 KW TO 300KW

Our product range of DC motors starts from frame 80 up to 250 with outputs of 0.5 KW to 300KW with torques ranging from 3 Nm to 1910 Nm. Laminated yoke heavy duty machines from 280 to 3157 frame sizes with output ranging from 265 to 3750kW and torque from 19Nm to 200 KNm. Primarily we manufacture laminated Yoke DC motors with a range of 0.5 to 3750 KW, solid Yoke DC motors with a range of 0.37 to 500 KW and AISE series mill duty motors with a range of 5.6 to 970 KW.

Our laminated Yoke DC Motors are designed for applications requiring constant or variable speed. It is suitable for steel mill drives, rolling mills etc. Through AISE series mill duty motors, we offer wide variety design to suit full speed, half speed, and quarter speed requirements at preferred armature voltages of 230, 400 and 460V.

Our motors are made of stainless steel with high precision and workmanship as per the NEMA standards. They are very easy to dismantle and repair and has no priming and suction problems. Our motors have robust structure and totally corrosion proof body ensures durability and reliability. They are not vulnerable to high voltage fluctuations and guarantee higher efficiency. We have 2 dedicated manufacturing facilities available for the manufacture of these machines. The production is organized to provide flexibility and short lead times. Our Company has been ISO 9001 certified since 1993 and spares no effort to ensure that a high level of quality is maintained. The process of continuous improvement permeates throughout the organization and results in our delivering better value to the customer year after year.

Power Generation and Distribution Group

Generators

We also manufacture brushless generators along with AC and DC motors for various applications. We manufactures single and double bearing brushless AC Generators for industrial, domestic and specialized applications. An AC Generator is an electrical device which produces alternating current. We have comprehensive range 5 to 20,000KVA, single bearing and double bearing AC generators. Our AC generators are available for 50/60 Hz and cater to all applications for the prime and stand by power generations. The AC Generator is coupled to Diesel engines, steam turbines, water turbines etc. to produce electrical power. These AC generators are available with double bearing and single bearing with SAE flanges of 00, 0, ½, 1, 2 and 3 and disc couplings of 10, 11.5, 4, 18 and 21 combinations. We also manufacture special generators based on specific request of our customers. These generators are specially designed and tailor-made to suit the needs of the customers based on their requirements and specifications. Diesel engine generators are used for peak load demands and also find wide application in critical installations like emergency/back up power plants in hospitals, airports and manufacturing plants involving critical processes. Our generators have been procured by set builders for installation across various industries. We are accredited quality standards ISO: 9001:2008 for its quality management system for manufacturing these AC generators.

We manufacture the following range of AC generators:

AC GENERATOR RANGE 5KVA TO 20000KVA

Transformers

We are also in the business of manufacturing transformers for more than twenty (20) years and are a preferred and regular supplier of quality transformers. We manufactures of wide variety of distribution transformers from 160 to 5000 kVA, 33 KV class, power transformer from 500 to 10,000 kVA, 33 KV class and special application cast resin dry type transformers from 160 to 10 MVA, 33 KV class. We started with a capacity to manufacture 500 transformers per annum and have grown gradually to a capacity to manufacture 3,000 transformers per annum. Our existing annual production capacity in terms of KVA is 3,000 KVA of transformer per month on single shift basis. Our product mainly caters to public sector undertakings, private sector companies engaged in generation and distribution electricity and other industrial undertakings engaged in steel, power, textile, coal and mine, infrastructure, engineering and automobile sectors etc.

We manufacture special application cast resin dry type transformers with technical knowhow from May & Christie, Germany and OCREV, Italy. Dry type transformers can be installed for special applications in Fire and environmental safety zone especially near load center and in a fire hazardous place. These transformers use fire resistant insulation. We have an array of sophisticated machines like crane, oil winding machines, automatic casting plants, oven, jigs, special machines, paint both etc. These are nonflammable, maintenance free transformers which can be installed at the load center in enclosed areas. We have state of art facility to carry out all routine tests, type tests and short circuit test for our transformers.

We specialize in manufacturing distribution transformers from 160 to 5000 kVA, 33 KV class capacity with primary voltage of 11 KV, 22 KV and 33 KV and secondary voltage as per customer's requirement. We manufacture power transformer that is known for accepting energy at one voltage and passing them to other voltage. Power transformers from 500 to 10,000 KVA and 33 KV class are regularly manufactured and supplied to various clients.

We also manufacture special transformer like HV testing transformers, short circuit testing transformers required in testing laboratories. Also high current furnace transformers, neutral grounding transformers, shunt and series reactors and many other special transformers can also be manufactured as per the request of our customers. These transformers are manufactured in conformance to Indian Standards Specifications 2026, 1180, 11171 and / or equivalent.

We manufacture the following range of transformers:

OIL FILLED TRANSFORMR 200 kVA to 100MVA, 3.3 kV to 220kV

POWER TRANSFORMER: 2500KVA TO 100,000KVA, UPTO 220KV CLASS

CAST RESIN TRANSFORMER 160KVA to 10MVA UPTO & INCLUDING 33KV

Diesel generator sets

We manufacture diesel generator sets with optimally designed, compact and with less vibration. Our diesel generator sets are powered by the most efficient diesel engines thus delivering reliable and economic power solutions. We manufacture wide range of diesel generator set from 12.5KVA up to 180 KVA under the brand "*Bliss*". Our diesel generator sets in two specifications, freedom series from 12.5KVA up to 32.5 KVA and republic series from 40 KVA up to 180 KVA. With microprocessor based controller and high quality acoustics derived out of CNC machines, our diesel generator set deliver power solutions across all segments and applications. Our diesel generator sets are complies with the emission norms stipulated by the Central Pollution Control Board of India.

We manufacture the following range of transformers:

DG SET RANGE 12.5 TO 180kVA

Switchgears and other electrical equipment's

We manufacture medium voltage switchgear with vacuum circuit breakers and metal clad switch boards for wide ranging applications, from large outdoor and indoor substations to small standalone switching requirements. Our circuit breakers and metal clad switch boards are used in commercial and residential construction, mining, power generation, cement and steel industries and for individual motors, transformers, computer loads, power supply auxiliaries.

The vacuum circuit breaker and the switchboards are of optimized design for Indian local supply condition and ambient. The breaker and switch board is of compact design, sturdy construction and simple in operation with a motorized spring operated mechanism. This design ensures ease of operation, low cost maintenance and high longevity. It also has built in mechanical interlocks for safety and the C.B compartment is so designed, that it ensures the interchangeability with identical circuit breakers. All the circuit breakers are subject to routine tests as per IEC – 60056 and IS: 13118, the penal along with the breakers are subject to routine test as per IEC – 60298/IS: 3427, IEC: 60694/ IS: 12729 before dispatch. Our switchgears are subjected to routine test as per IEC/IS standards.

We manufacture following types of medium voltage switchgear with vacuum circuit breakers:

- Metal Clad M.V. Switchgear 11KV, 1250 A, 26.2KA;
- Metal Clad M.V. Switchgear 33KV, 1250 A, 26.2KA;
- Metal Clad M.V. Switchgear 11KV, 3150 A, 40KA;

We also manufacture Unitized Sub Station (USS) in 11kV/22kV & 33kV ratings.

The USS comprises of a single factory built sub-station package having Transformer (Cast Resin / Oil Filled), HT and LT controls, all housed in a single enclosure. Indoor and Outdoor versions are available. The safety features and mandatory requirements are fully complied with. The space occupied by USS will be only ¼ of the space required for open installations. The USS can be installed in the Basement, Yard or on the Roof top. Considering the commercial value of the space, the USS will be more economical.

The system will be interconnected using busbars / cables of suitable rating. The USS is compartmentalized to house the HT controls, the Transformer and the LT controls separately. Doors are provided on either side of the Transformer compartment for easy access and to change the tap link position. The Transformer compartment doors are interlocked using door limit switch to prevent access to live terminals in such a way that the Breaker / LBS will be tripped when the doors are opened. Electricity Board Metering with tamper proof sealing facility can be provided as option. Also provision for fitting TOD meter can be provided. Generally USS up to 500kVA will be offered with Air break Load Break Switch and back up Fuse on HT side and above 500kVA with VCB breaker / GIS. However, as per customer requirements, Breakers can be offered for below 500kVA rating also.

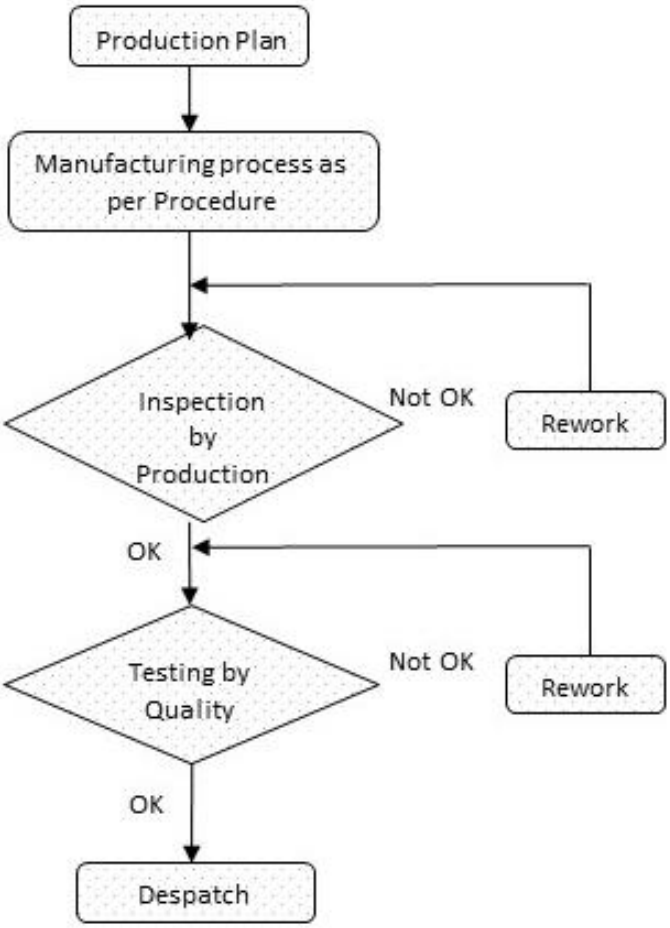
Projects and Systems Group

Further, we understand the potential requirements of the industry and therefore we provide customized solution to various sectors for their projects. In connection with our various product offerings, our Company also sets up turnkey power projects and annual maintenance contracts of such power projects for our end customers. We undertake responsibility on a turnkey basis for designing, manufacturing, and supplying custom-built systems for various projects. We have completed a number of projects in terms of design, manufacture, supply, and commission.

Manufacturing process

Our machines are equipped for both individual and diversified processes, and their fungibility enables us to employ them in the most optimum manner to suit the customer's preferences. Additionally, most of our machinery with certain modification is capable of being used interchangeably for either of our sectors, depending on the demand for such products. We have and may have dedicated production lines based on the size and frequency of the orders of our customers.

Set forth below is a flowchart of the typical manufacturing process employed by us for electrical capital goods equipment at our manufacturing facilities:



Our capabilities include our various levels of process that allows us to produce the best possible electrical capital goods equipment to our customers.

Raw Materials

The primary raw materials used by our Company in the manufacturing of electrical capital goods equipment are copper, steel, pig iron, and aluminium.

We procure raw materials from third party suppliers generally at spot rate. We do not have any long term agreements with any of our raw material suppliers and we purchase such raw materials on spot order basis.

While we do not have any long term contracts with any of our raw material suppliers, we have maintained a long term relationship with each of these major suppliers and our relationship with each of these suppliers have been for at least over five years.

Supply Chain and Procurement

We have introduced various quality and cost control measures to ensure that suppliers meet our quality standards, while maintaining their competitive pricing and ensuring timely delivery of supplies. In order to manage increases in raw material costs, we have introduced various programs such as value engineering that takes a systematic approach to achieve lower costs without compromising the efficiency of the product, and also source steel and other principal raw materials from suppliers that offer competitive prices.

We have reorganized our supply chain organization by introducing integrated strategic sourcing, procurement, storage and internal logistics functions within the sourcing and supply chain department. The supply chain teams are responsible for ensuring the quality, cost competitiveness and timely delivery of sourced raw materials and other parts to us.

Engineering and Development

Engineering and Development forms an integral part in our growth strategy. Apart from our ability to manufacture goods according to our customer requirements we also provide incidental technical assistance to our customers. We have a dedicated team for carrying out in-house engineering design and development activities. Our strong in-house design division which is actively engaged in design development, validation and optimization, has professionals with required skill sets and competencies in line with market needs and customer expectations. The aforementioned engineering design and development capabilities enable us to develop new products and modify our existing range of products to meet the market requirements.

Our Company constantly invests in new methods, techniques and processes. We train and re-train our engineers on a continuous basis to have contemporary skill sets and expertise.

Quality Management Systems

We are committed to ensuring high quality standards. Our products pass through stringent quality tests at various stages of the manufacturing process. Our quality assurance initiatives include continuous improvement of our manufacturing processes and reduction of internal rejection through comprehensive process audits and control. Our customers often require different tests to be performed for quality. Our manufacturing units 5, 7, 1, 2 and 25 situated in Mysore, Tumkur, Govenhalli and Hubli, respectively are accredited with ISO 9001:2008 certification. Further, our manufacturing unit situated at Pune is accredited with ISO: 9001: 2008, ISO 14001:2004, and BS OHSAS 18001: 2007 certification which has been issued by Bureau Veritas Verification in recognition of our business and safety procedures.

Manufacturing Units

We currently have multi-locational manufacturing facilities located at Govanhalli, Budihal, Hubballi, Gabbur, Tumkur, Pune, Mysore and Kolkata. Detail description of activities carried out in our manufacturing facilities are as follows:

Plant	Location	Activity
Unit No. 1	Survey No.16, admeasuring 18 acres 33 guntas Govenahalli, Thyamagondlu Hobli Nelamangala Taluka, Bengaluru Rural District -562 123	Manufacturing of AC Motors, AC Generators, DC Machines, Traction Equipment
Unit No. 15	Survey No. 81/3, Kachenahalli, Budihal, Nelamanagala Taluka, Bengaluru Rural – 562 123	Machine shop
Unit No. 2, 6 and 14	Area admeasuring 89 acres 23 gunthas comprising of R.S. No. 88 and 89 of Rayanal Taluka, Hubballi	Manufacturing of AC Motors, AC Generators, DG Sets
Unit No. 25	Survey No.16/1, Gabbur Village, P B Road, Hubballi – 580 028	Manufacturing of AC Motors, AC Generators
Unit No. 5 and 10	Property No. 6/1, measuring 51332.29 square meters out of total area of 16.50 hectares situated at survey No. 14-18, 22, 30, 31 and part of 36 and 37 at Belawadi Industrial Area, Mysore	Manufacturing of Switchgear and Transformers

Plant	Location	Activity
Unit No. 7	Survey No. 120, plot no. 6B1 situated in Hirehalli industrial area, Hirehalli village, Urdagere Hobli, Tumkur admeasuring 300 sq. mtrs	Manufacturing of AC Motors, Press Shop, Component Manufacturing Division
Unit No. 11 and 16	Land bearing block no. 309/1 admeasuring about 0-22 hectares, block no. 319/2 admeasuring 1-35 hectares, block no. 317 admeasuring 1-37 hectares, block no. 318 admeasuring 3-4 ares and block no. 315 admeasuring about 19 ares, 76 ares and 38 ares situated at Kondapuri, Shirur, Pune	Manufacturing of Cast Resin Transformers, Oil Filled Transformers and DG Sets
Unit No. 18	NH-6, Jaladhulagori P.O - Dhulagorl, PS – Sankrail, Howrah - 711 302	Manufacturing of DG Sets

Marketing and Sales Network

As on June 30, 2016, we have a strong network of over 150 dealers and 22 sales and branch offices pan India. In order to provide services to our customers, we have also set-up a dedicated toll-free helpline for delivering product information, technical details, etc. Further; with an objective to reach out dealers, we organise dealers' meets during our product launch, new developments and other initiatives undertaken by us. We have long-standing relationships with several domestic and international players and have been recognized as an "Approved Supplier" for the products manufactured by us.

Our Employees

We consider our employee strength as a critical factor to our success. We have drawn up a comprehensive human resource strategy that addresses key aspects of human resource development. As on June 30, 2016, we have employed 1,431 permanent employees. In addition, our Company also hires contract labourers based on the requirements at our manufacturing units.

Through a dedicated training and placement department we consistently train our workforce to enhance their knowledge and equip them with the latest technological and engineering skills. Trainees from various engineering institutions and trainees nominated by government agencies undergo training at our various manufacturing facilities. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake.

In order to promote performance culture and individual performance, we have also introduced various initiatives, including introducing a variable pay component to senior management levels. In addition, we also award major milestones and recognize the small achievements at the individual level and at the team levels.

To further integrate our operations and to streamline our human resource automated processes, we have also implemented a human resource information system.

Environment, Health and Safety

We are committed to protecting the environment in the course of conducting our operations. We are committed to providing a safe workplace for our employees and subcontractors. We endeavour to comply with the environmental, health and safety regulations of countries where we work. We are committed to carrying out our operations in an environmentally safe and responsible manner. To achieve this, we seek to ensure compliance with all applicable environmental laws and regulations by providing appropriate resources and infrastructure.

Insurance

Our Company has insurance coverage for our manufacturing facilities as well as our assets at various locations. Depending on the risks associated with each type of asset, the assets are covered under appropriate types of insurance policies. Fixed assets and current assets at manufacturing plants are covered under standard fire and special perils insurance policy and fire declaration policy which covers loss/damage due to fire, explosions and act of god perils like earthquake. The goods transported by rail, road or air anywhere in India and goods being transported by vessel anywhere in the world are also insured by the marine cargo annual turnover policy. Our Company has also availed policy for burglary which covers the stocks in trade and office equipment's at its manufacturing plants and branch offices. Further, our Company has also availed insurance for its employees by availing the policy for fidelity guarantee and personal accident policy.

Property

Our registered office is located at Industrial Suburb, Rajajinagar, Bengaluru – 560 010, Karnataka, India. We have also established branch offices to facilitate our business, including in Sharjah, Singapore and Kuala Lampur. We own and lease various properties for our corporate operations and for undertaking our businesses. In order to conduct our domestic and international operations we have entered into a combination of leave and license agreements and lease deeds.

Intellectual Property

We protect our competitive position by, among other methods, filing patent applications to protect technology and improvements that we consider important for the development of our products and services. As at June 30, 2016, we have 1 pending patent application for registration, in multiple jurisdictions. We also own various trademarks and service marks that contribute to the identity and the recognition of our product and service brands. These trade and service marks are integral to our business, and the loss of any of these intellectual property rights could have a material adverse effect on our business. As at June 30, 2016, we have 5 registered trademarks for our products. Further, we have entered into a user agreement dated October 5, 1973 with Kirloskar Proprietary Limited for use of trademark "Kirloskar" and the same is under litigation pending before the High Court of Mumbai. For additional details see ***"Risk Factors" and "Legal Proceedings"*** on page 40 and 198, respectively.

Related Party Transactions

From time to time, we enter into transactions with affiliates or related parties, principally with our Promoter Group Companies and our Subsidiary companies. Our policy is that such transactions are made on an arm's length basis on no less favourable terms than if such transactions were carried out with unaffiliated third parties.

Details of related party (as per AS 18) are set out in the section "*Financial Statements*".

Legal Proceedings

We are involved in various legal proceedings that are at different levels of adjudication before various courts and tribunals. These legal proceedings are primarily in the nature of civil proceedings, labour proceedings and taxation proceedings (excise and service tax). The results of these claims and legal proceedings cannot be predicted and these claims and legal proceedings, individually or in the aggregate, may have a material adverse effect on our business (both in the near and long term), liquidity, financial position, cash flows or results of operations. For further details of our material litigation, see "*Legal Proceedings*".

OUR SUBSIDIARIES

As on date of this Preliminary Placement Document**,** we have six wholly owned Subsidiaries. Details of our Subsidiaries are as follows:

KELBUZZ Trading Private Limited ("KELBUZZ")

KELBUZZ was incorporated on December 5, 2014 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of KELBUZZ is U51109KA2014PTC077631.

The main objects of KELBUZZ include, *inter alia*, business of merchants, traders, dealers, sellers, importers, exporters, suppliers, stockists, wholesalers, retailers, collectors, buying agents, selling agents, factors, brokers in respect of inventories and receivables of electrical and/or electronics goods, items, instruments, parts, spares, accessories, consumables or in any other capacity in India or elsewhere in respect of electrical and/or electronics goods, items, instruments, parts, spares, accessories, consumables, commodities, merchandise, produce, products, articles, things, materials, substances of all types and descriptions.

Presently, KELBUZZ is not carrying out any significant business activities.

Kesvik Developers Private Limited ("KDPL")

KDPL was incorporated on March 25, 2015 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of KDPL is U70100KA2015PTC079459.

The main objects of KDPL include, *inter alia*, business of purchase lease, exchange, rent or otherwise and deal in lands, buildings including industrial, commercial, residential plots, buildings, houses, apartments, flats and any estate or interest therein and any rights over or connected with lands, developing, or, assist in developing and preparing land for building purposes and purchase for resale and to trade in land and other immoveable property.

Presently, KDPL is not carrying out any significant business activities.

Luxquisite Parkland Private Limited ("LPPL")

LPPL was incorporated on December 2, 2014 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of LPPL is U70102KA2014PTC077510.

The main objects of LPPL include, *inter alia*, business of purchase lease, exchange, rent or otherwise and deal in lands, buildings including industrial, commercial, residential plots, buildings, houses, apartments, flats and any estate or interest therein and any rights over or connected with lands, developing, or, assist in developing and preparing land for building purposes and purchase for resale and to trade in land and other immoveable property.

LPPL is a holding company of Kirsons B.V., Germany and not carrying out any significant business activities.

SKG Terra Promenade Private Limited ("SKG Terra")

SKG Terra was incorporated on December 3, 2014 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of SKG Terra is U70100KA2014PTC077579.

The main objects of SKG Terra include, *inter alia*, business of purchase lease, exchange, rent or otherwise and deal in lands, buildings including industrial, commercial, residential plots, buildings, houses, apartments, flats and any estate or interest therein and any rights over or connected with lands, developing, or, assist in developing and preparing land for building purposes and purchase for resale and to trade in land and other immoveable property.

Presently, SKG Terra is not carrying out any significant business activities.

SLPKG Estate Holdings Private Limited ("SLPKG Estate")

SLPKG Estate was incorporated on December 2, 2014 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of SLPKG Estate is U70109KA2014PTC077504.

The main objects of SLPKG Estate include, *inter alia*, business of purchase lease, exchange, rent or otherwise and deal in lands, buildings including industrial, commercial, residential plots, buildings, houses, apartments, flats and any estate or interest therein and any rights over or connected with lands, developing, or, assist in developing and preparing land for building purposes and purchase for resale and to trade in land and other immoveable property.

Presently, SLPKG Estate is not carrying out any significant business activities.

Swaki Habitat Private Limited ("SHPL")

SHPL was incorporated on March 19, 2015 as a private limited company pursuant to a Certificate of Incorporation with the Assistant Registrar of Companies, Karnataka, Bengaluru under the Companies Act, 2013. The CIN of SHPL is U70100KA2015PTC079374.

The main objects of SHPL include, *inter alia*, business of purchase lease, exchange, rent or otherwise and deal in lands, buildings including industrial, commercial, residential plots, buildings, houses, apartments, flats and any estate or interest therein and any rights over or connected with lands, developing, or, assist in developing and preparing land for building purposes and purchase for resale and to trade in land and other immoveable property.

Presently, SHPL is not carrying out any significant business activities.

REGULATIONS AND POLICIES

The following description is a summary of relevant regulations and policies applicable to our Company. This description is based on the current provisions of Indian law, which are subject to change or modification or interpretation by subsequent legislative, regulatory, administrative or judicial decisions. The laws set out herein below and their description are not exhaustive, and are only intended to provide general information to Investors and is neither designed nor intended to be a substitute for professional legal advice.

General Laws:

Employment & Labour Related Laws

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("the EPFMP Act")

The EPFMP Act is applicable to the establishment employing more than 20 employees and as notified by the government from time to time. All the establishments under the EPFMP Act are required to be registered with the appropriate Provident Fund Commissioner. Also, in accordance with the provisions of the EPFMP Act, the employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund.
The Finance Minister in his budget speech had announced the increase of the statutory wage ceiling from the existing level of ₹ 6,500/ month to ₹ 15,000 month as well as the payment of a minimum pension of ₹ 1,000/ month for all members of the pension scheme. Recently, the Ministry of Labour & Employment, Government of India (MLE) has issued notifications and made amendments to the Employees' Provident Fund Scheme, 1952 (EPF), Employees' Pension Scheme, 1995 (EPS) and Employees' Deposit Linked Insurance Scheme, 1976 (EDLI) effective from September 1, 2014. The key amendments are as below:

a. The statutory wage ceiling under the EPF, EPS and EDLI has been increased from ₹ 6,500 to ₹ 15,000 per month.
b. For the financial year 2014-15, the minimum pension is fixed at ₹ 1,000/- per month for the members of the EPS or their nominee/ widow, etc.
c. Effective September, 1, 2014, all new EPF members shall not become a member of EPS, if their pay is more than ₹ 15,000/ month at the time of joining. In other words, no allocation towards pension fund will be made for such new members and the entire employee and employer contribution will go to the provident fund account.
d. The insurance benefit under the EDLI has been increased by 20% in addition to the existing admissible benefits.

Employees' State Insurance Act, 1948 (the "ESI Act")

All the establishments to which the ESI Act applies are required to be registered under the ESI Act with the Employees State Insurance Corporation. This Act requires all the employees of the establishments to which this Act applies to be insured in the manner provided there under. Employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the Employee State Insurance department.

As per the Employees State Insurance (Amendment) Act, 2010 wherein the following provisions were inserted:

a. The scope the definition of "dependent" was widened to include legitimate or adopted son who has not attained the age of twenty five years.
b. The definition of employee now includes apprentices appointed under standing orders but excludes only the apprentices appointed under the Apprentices Act 1961.
c. The distinction of segregating factories into 2 categories has been removed and all those factories are covered if they employ ten or more persons irrespective whether run with power or without power.
d. The limit of funeral expenses has been revised to ₹ 10,000.

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 is the main legislation for investigation and settlement of all industrial disputes. The Act enumerates the contingencies when a strike or lock-out can be lawfully resorted to, when they can be declared

illegal or unlawful, conditions for laying off, retrenching, discharging or dismissing a workman, circumstances under which an industrial unit can be closed down and several other matters related to industrial employees and employers. According to the Industrial Disputes Act, 1947, the term 'industrial dispute' means "any dispute or difference between employers and employers, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment, or the terms of employment or with the conditions of labour, of any person". The basic objectives of the Industrial Disputes Act, 1947 are:-

a. To provide a suitable machinery for the just, equitable and peaceful settlement of industrial disputes.
b. To promote measures for securing and preserving amity and good relations between employers and employees.
c. To prevent illegal strikes and lockouts.
d. To provide relief to workers against layoffs, retrenchment, wrongful dismissal and victimisation.
e. To promote collective bargaining.
f. To ameliorate the conditions of workers.
g. To avoid unfair labour practices.

The above act provides for the statutory machinery for conciliation and adjudication of industrial disputes such as conciliation officers, a board of conciliation, courts of inquiry, labour courts, industrial tribunals, etc.

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and on which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term of up to two years or with a fine up to ₹100,000/- or with both, and in case of contravention continuing after conviction, with a fine of up to ₹ 1,000/- per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than ₹ 25,000 in the case of an accident causing death, and ₹ 5,000/- in the case of an accident causing serious bodily injury.

The Ministry of Labour and Employment proposes to amend the Factories Act, 1948 vide Office Memorandum dated June 5, 2014 wherein it is proposed to redefine the term "hazardous process" as a process in which a hazardous substance is used and the term "hazardous substance" would have the same meaning as assigned in the Environment Protection Act, 1986. An Occupier would now be required to take permission from the State Government for expansion of a factory within certain prescribed limits. Various safety precautions have been taken by the State Government to prevent persons to enter any confined space unless a written certificate has been given by a competent person and such person is wearing a suitable breathing apparatus. The occupier of a factory which is engaged in a hazardous process is required to inform the Chief Inspector within 30 days before the commencement of such process. An Inquiry Committee will be appointed by the Central Government to inquire into the standards of health and safety observed in the factory.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

Minimum Wages Act, 1948

State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government.

Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to ₹ 500 or both.

The Ministry of Labour and Employment have vide Office Memorandum dated June 17, 2014 proposed certain amendments to the Minimum Wages Act, 1948 which include the revision of the minimum wages payable to the employees at intervals of not exceeding 5 years due to the rise in the Consumer Price Index; All scheduled employments need not be individually represented in the Advisory Boards/Committees/Sub-Committees.

Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923 ("WCA") has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries by accident arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation in accordance with the WCA if a personal injury/disablement/loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation due under the WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus.

Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment for a term of up to six months or a fine of up to ₹ 1,000 or both, against persons in charge of, and responsible to our Company for the conduct of the business of our Company at the time of contravention.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed ₹ 350,000.

An employee in a factory is said to be 'in continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning.

Payment of Wages Act, 1936

Payment of Wages Act, 1936 contains provisions as to the minimum wages that are to be fixed by the appropriate Governments for the employees, fixation and revision for the minimum wages of the employees, entitlement of bonus to the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

Maternity Benefit Act

The Act was enacted for protecting the dignity of motherhood by providing complete and healthy care to women and her child when she is unable to perform her duty due to health condition. The Act applies to every factory, shop or establishment wherein 10 or more persons are employed. The Act prescribes a 84 days leave before or after the delivery, medical bonus of ₹ 1,000, pay for 6 weeks before or after the child birth within 48 hours of request, an additional leave with pay upto one month, miscarriage of six weeks leave with an average pay.

Industries (Development and Regulation) Act, 1951

Under the New Industrial Policy dated July 24, 1991, all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

Tax Related Legislations

Value Added Tax ("VAT") Act and Rules, 2008

The levy of Sales Tax within the state is governed by the Value Added Tax Act and Rules 2008 ("the VAT Act") of the respective states. The VAT Act has addressed the problem of Cascading effect (double taxation) that were being levied under the hitherto system of sales tax. Under the current regime of VAT the trader of goods has to pay the tax (VAT) only on the Value added on the goods sold. Hence VAT is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax- that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. Periodical returns are required to be filed with the VAT Department of the respective States by the company.

Income Tax Act, 1961

Income Tax Act, 1961 is applicable to every Domestic / Foreign Company whose income is taxable under the provisions of this Act or Rules made under it depending upon its "Residential Status" and "Type of Income" involved. U/s 139(1) every Company is required to file its Income tax return for every Previous Year by 31st October of the Assessment Year. Other compliances like those relating to Tax Deduction at Source, Fringe Benefit Tax, Advance Tax, and Minimum Alternative Tax and the like are also required to be complied by every Company.

Central Excise Act, 1944 and Central Excise Rules, 2002

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification.
Rule 9 of The Central Excise Rules, 2002 provides for registration by every producer or manufacturer of excisable goods before the Central Board of Excise and Customs. Rule 12 further provides for filing of a monthly return by every assessee to the Superintendent of Central Excise.

Central Sales Tax Act, 1956

The Central Sales Tax Act, 1956 governs the levy of sales tax for the whole of India on the sale or purchase of goods generally or on any specified goods expressly mentioned in that behalf.
Every dealer, who in the course of inter-State trade or commerce-

a. sells to the Government any goods; or
b. sells to a registered dealer other than the Government

shall be liable to pay tax under this Act, which shall be two per cent of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State, or, as the case may be, under any enactment of that State imposing value added tax, whichever is lower.

Finance Act, 1994

The Act provides for the valuation and levy of Service Tax wherein every service provider must pay the service tax and furnish a return for registration to the Superintendent of Central Excise. A penalty of hundred rupees per day or two percentage of such tax per month, whichever is higher would be levied. The Central Government is vested with the power to grant exemption from payment of the tax.

Intellectual Property Rights

Trademarks

Trademarks have been defined by Trade Related Intellectual Property (TRIPs) as any sign, or any combination of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings. Such distinguishing marks constitute subject matter under TRIPs. TRIPs provide that initial registration and each renewal of registration shall be for a term of not less than ten years and the registration shall be renewable indefinitely. Compulsory licensing of trademarks is not permitted. In light of the changes in trade and commercial practices, globalisation of trade, the need for simplification and harmonisation of trademark registration systems etc., the Indian Parliament undertook a comprehensive review of the Trade and Merchandise Marks Act, 1958 and replaced the same with the a new legislation viz The Trade Marks Act, 1999. This Act makes trademarks law compatible with TRIPs and also harmonises it with international systems and practices.

Patents Act, 1970

The Patents Act, 1970 ("Patents Act") governs the patent regime in India. Historically, India granted patent protection only to processes and not to products in respect of food, medicine or drugs. However, as a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS"), India was required to ensure that its patent laws were in compliance with the TRIPS by January 1, 2005. Under this new patent regime, India is required to recognize product patents as well as process patents.

In addition to broad requirement that an invention satisfy the requirements of novelty, utility and non-obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of the application for the patent. The Patents Act deems that computer programs per se are not 'inventions' and are therefore, not entitled to patent protection. This position was diluted by The Patents Amendment Ordinance, 2004, which included the following as patentable subject matter:

a. Technical applications of computer programs to industry; and
b. Combinations of computer programs with the hardware.

However, the Patents Amendment Act, 2005 does not include this specific amendment and consequently, the Patents Act, as it currently stands, disentitles computer programs per se from patent protection. The public use or publication of an invention prior to the making of an application for a patent, may disentitle the said invention to patent protection on the grounds of lack of novelty. Under the Patents Act, an invention will be regarded as having ceased to be novel (and hence not patentable), inter alia, by the existence of:

a. any earlier patent on such invention in any country;
b. prior publication of information relating to such invention;
c. an earlier product showing the same invention; or
d. a prior disclosure or use of the invention that is sought to be patented.

Following its amendment by the Patents Amendment Act, 2005, the Patents Act permits opposition to grant of a patent to be made, both pre-grant and post-grant. The grounds for such patent opposition proceedings, inter alia, include lack of novelty, inventiveness and industrial applicability, non-disclosure or incorrect mention of source and geographical origin of biological material used in the invention and anticipation of invention by knowledge (oral or otherwise) available within any local or indigenous community in India or elsewhere.

The proviso to section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises.

Under section 47 of the Patents Act, the patent is only conditional and it enables the GoI to import, make or use any patent for its own purpose. In the case of drugs, the GoI can also import patented drugs for the purpose of public health distribution. This is complimented by sections 100 and 101 of the Patents Act. Compulsory licensing is also provided under Chapter XVI in order to protect public interest and mainly public health.

The Patents Act also prohibits any person resident in India from applying for patent for an invention outside India without making an application for the invention in India. Following a patent application in India, a resident must wait for six weeks prior to making a foreign application or may obtain the written permission of the Controller of Patents to make foreign applications prior to this six week period. Patents are territorial by nature, as a result of which an invention patented in one country does not enjoy protection in another country. The Patent Cooperation Treaty to which India is a signatory tries to fill this lacuna to an extent and makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries through a single application process.

Public Liability Insurance Act, 1991

Public Liability Insurance Act, 1991 (the "**Public Liability Act**") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation.

The rules made under the Public Liability Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

The Petroleum Act, 1934

The Petroleum Act, 1934 (the "**Petroleum Act**") regulates the import, transport, storage, production, refining and blending of petroleum in India. The Petroleum Rules, 2002 (the "**Petroleum Rules**") made under the Petroleum Act prohibits deliver or dispatch of specified classes and quantities petroleum to anyone in India other than the holder of a storage licence issued under this Rules. Further, the Petroleum Rules also prohibits import of specified classes of petroleum into India except under a licence granted under this Rules. Under the Petroleum Rules, licence for specified classes of petroleum has to be obtained for storage of such classes of petroleum.

The Explosives Act, 1884

The Explosives Act, 1884 (the "**Explosives Act**") regulates the manufacture, possession, use, sale, transport, import and export of explosives in India. The Gas Cylinders Rules, 2004 (the "**Gas Cylinder Rules**") was enacted by the Central Government in exercise of the powers conferred by section 5 and 7 of the Explosives Act. The Gas Cylinders Rules prohibits possession of cylinder filled with compressed gas of specified type and quantity except under and in accordance with the conditions of licence granted under this Rules.

Indian Boilers Act, 1923

The Indian Boilers Act, 1923 (the "**Boiler Act**") and the Indian Boilers Regulation, 1950 (the "**Boiler Regulations**") provide for standards in respect of materials, design and construction, inspection and testing of boilers and boiler components for compliance by the manufacturer's and users of boilers in India. The Boilers Act prohibits the use of boilers except under and in accordance with the conditions of registration and certificate granted under the provisions of this Act.

Foreign Trade (Development and Regulation) Act, 1992

The Foreign Trade (Development and Regulation) Act, 1992 (the "**Foreign Trade Act**") was enacted to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India. The Foreign Trade Act prohibits anybody from undertaking any import or export except under an importer-exporter code number granted by the Director General of Foreign Trade.

State specific Shops and Commercial Establishments Acts as applicable

Under various state laws dealing with shops and establishments, any shop or commercial establishment has to obtain a certificate of registration from the supervising inspector and has to comply with certain rules laid down therein. These statutes and rules and regulations framed thereunder regulate the opening and closing hours of shops and commercial establishments, daily and weekly work hours, closing dates and holidays, health and safety of persons working in shops and commercial establishments, payment of wages, maintenance of records and registers by the employers, among others.

Environmental matters

We are subject to significant Indian national and state environmental laws and regulations, including regulations relating to the prevention and control of water pollution and air pollution, environment protection, hazardous waste management and noise pollution. These regulations govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. The costs associated with compliance with these environmental laws, regulations and guidelines may be substantial and, although we believe that we are in compliance with all applicable environmental standards, we may discover currently unknown environmental problems or conditions. We also handle dangerous materials including explosive, toxic and combustible materials.

For a description of risks associated with environmental matters, see the section titled "***Risk Factors***" beginning on page 40.

Environmental Laws

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act, 1974 (the "**WPA**"), the Air (Prevention and Control of Pollution) Act, 1981 (the "**APA**") and the Environment Protection Act, 1986 (the "**EPA**").

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board. The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

EPA has been enacted for the protection and improvement of the environment. EPA provides for the constitution of Boards to regulate pollution levels and protect the environment, the formulation of rules with regard to environmental standards and imposes certain obligations. It stipulates that no person carrying on any industry, operation or process shall discharge or emit or permit to be discharged or emitted any environmental pollutant in excess of such standards as may be prescribed. Further, no person shall handle or cause to be handled any hazardous substance except in accordance with such procedure and after complying with such safeguards as may be prescribed. EPA empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

The issue of management, storage, and disposal of hazardous waste is regulated by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the "**HWM Rules**") made under the EPA Act. The HWM Rules become applicable in case of an industrial activity in which a hazardous chemical which satisfies certain criteria as listed in the schedule thereto, and to an industrial activity in which there is involved a threshold quantity of hazardous chemicals as specified in the schedule thereto. The occupier of a facility where such industrial activity is undertaken has to provide evidence to the prescribed authorities that he has identified the major accident hazards and that he has taken steps to prevent the occurrence of such accident and to provide to the persons working on the site with the information, training and equipment including antidotes necessary to ensure their safety. Under the HWM Rules, the Pollution Control Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

In addition, the Ministry of Environment and Forests, Government of India (the "**MoEF**") looks into environment impact assessment (the "**EIA**"). The MoEF receives proposals for expansion, modernization and setting up of projects, and the impact such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects. Furthermore, the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (the "**Hazardous Chemicals Rules**") stipulate that an occupier in control of an industrial activity has to provide evidence for having identified the major accidental hazards and taking adequate steps to prevent major accidents and to limit their consequences to persons and the environment. The persons working on site have to be provided with information, training and equipments including antidotes necessary to ensure their safety.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Overview

Our Board currently consists of twelve (12) Directors. Our Articles of Association provide that the number of directors shall not be less than three (3) or more than 15 (fifteen). Further, our Articles of Association provides that one-third of the strength of the Board of Directors shall be liable to retire by rotation at every AGM. A retiring Director shall be eligible for re-appointment. Subject to the Articles of Association, the quorum for meetings of the Board is one third of the total number of Directors or two (2) Directors, whichever is higher as provided under Section 174 of the Companies Act, 2013. Where the number of interested Directors exceeds or is equal to two-third of the total number of Directors, the number of remaining Directors i.e., the number of directors who are not interested and are present at the meeting, not being less than two (2), shall be the quorum during such time.

Directors

The following table sets forth details regarding the Board as on the date of this Preliminary Placement Document:

Sr. No.	Name, Address, Designation, Occupation, DIN, Term and Nationality	Age (in years)	Other Directorships
1.	**Vijay Kirloskar*** **Address:** 22, 17th Cross, Malleshwaram, Bengaluru 560 055, Karnataka, India **Designation:** Executive Chairman **Occupation:** Business **DIN:** 00031253 **Term:** For a period of three years with effect from August 12, 2014 **Nationality**: Indian	65	1. Kirloskar Power Build Gears Limited; 2. Batliboi Limited**; 3. Kirloskar Power Equipments Limited; and 4. MRF Limited
2.	**Vinayak Bapat** **Address:** A-33, Navaratna Apartment, 17th Cross, Malleswaram West, Bengaluru 560 055, Karnataka, India **Designation:** Managing Director **Occupation:** Service **DIN:** 06936639 **Term:** For a period of three years with effect from August 12, 2014. **Nationality**: Indian	49	NIL
3.	**Anand Hunnur** **Address:** 2A Second Floor, Sangeetha Apartments, 18th Cross Malleswaram	55	1. Indian Electrical and Electronics Manufacturers Association

Sr. No.	Name, Address, Designation, Occupation, DIN, Term and Nationality	Age (in years)	Other Directorships
	(West), Bengaluru 560 055, Karnataka, India **Designation:** Director –Sales (Whole time director) **Occupation:** Service **DIN:** 06650798 **Term:** For a period of three years with effect from August 12, 2014. **Nationality**: Indian		
4.	**Meena Kirloskar** **Address:** 22, 17th Cross, Malleshwaram, Bengaluru 560 055, Karnataka, India **Designation:** Non-Executive and Non-Independent Director **Occupation:** Business **DIN:** 00286774 **Term:** Liable to retire by rotation **Nationality**: Indian	60	1. Vijay Farms Private Limited; 2. Vimraj Investments Private Limited; 3. Sri Vijayadurga Investments And Agencies Private Limited; 4. Vijay Kirti Investments And Agencies Private Limited; 5. Abhiman Trading Company Private Limited; 6. Vijayajyothi Investments and Agencies Private Limited; and 7. Ravindu Motors Private Limited
5.	**Janaki Kirloskar** **Address:** 22, 17th Cross, Malleshwaram, Bengaluru 560 055, Karnataka, India **Designation:** Non-Executive and Non-Independent Director **Occupation:** Business **DIN:** 00309238 **Term:** Liable to retire by rotation **Nationality**: Indian	35	1. Vijay Farms Private Limited; 2. Vimraj Investments Private Limited; 3. Sri Vijayadurga Investments and Agencies Private Limited; 4. Vijay Kirti Investments and Agencies Private Limited; 5. Abhiman Trading Company Private Limited; 6. Vijayajyothi Investments and Agencies Private Limited; 7. Ravindu Motors Private Limited.
6.	**Anil Bhandari** **Address:** 12, Ali Asker Road, Bengaluru 560 052, Karnataka, India **Designation:** Independent Director	72	1. The Waterbase Limited; 2. Karnataka Coffee Brokers Private Limited; 3. Bhoruka Park Private Limited; 4. Sporturf Construction (India) Private Limited; 5. Fish-N-Chips Hotels Private Limited;

Sr. No.	Name, Address, Designation, Occupation, DIN, Term and Nationality	Age (in years)	Other Directorships
	Occupation: Professional **DIN:** 00031194 **Term:** For a period of 5 years with effect from September 30, 2014 **Nationality**: Indian		6. Pinnae Feeds Limited.
7.	**Kamlesh Gandhi** **Address:** 6, Palm Grove, 26, Pushpak Park, Aundh, Pune 411 007, Maharashtra, India **Designation:** Independent Director **Occupation:** Professional **DIN:** 00004969 **Term:** For a period of 5 years with effect from September 30, 2014 **Nationality**: Indian	66	1. Bhoruka Power Corporation Limited; 2. NCL Industries Limited; 3. Sundaram Clayton Limited; and 4. Bhagyanagar India Limited.
8.	**Sarosh Ghandy** **Address:** 'Ushtana' Aparanta Enclave, Siddhapur, Whitefield, Bengaluru 560 068, Karnataka, India **Designation:** Independent Director **Occupation:** Professional **DIN:** 00031237 **Term:** For a period of 5 years with effect from September 30, 2014 **Nationality**: Indian	77	1. Bhuruka Gases Limited; 2. Maini Materials Movement Private Limited; 3. Nettur Technical Training Foundation; 4. Teleradiology Solutions Private Limited; 5. Servion T Global Solutions Limited; 6. Edutech NTTF India Private Limited; 7. Parinaam Foundation; and 8. Janaadhar (India) Private Limited
9.	**Vellore Padmanaban Mahendra** **Address:** Lakshmi Vilas, Number: 5, Sankey Road, High Grounds, Bengaluru 560 052, Karnataka, India **Designation:** Independent Director **Occupation:** Professional **DIN:** 00033270	73	1. Hotel Pearls Private Limited; 2. Crest Construction Private Limited; 3. Pearls Estates Private Limited; 4. V.S.T. Auto Ancilleries Private Limited; 5. V.S.T. Motors Private Limited; 6. Gove Finance Limited; 7. V P Mahendra Brothers Investments Private Limited; 8. V.S.T. & Sons Private Limited; 9. V.S.T. Auto Parts Private Limited; 10. Lakshmi Ring Travellers (Coimbatore) Limited;

Sr. No.	Name, Address, Designation, Occupation, DIN, Term and Nationality	Age (in years)	Other Directorships
	Term: For a period of 5 years with effect from September 30, 2014 **Nationality**: Indian		11. VST Tillers Tractors Limited; 12. Bangalore Motors Private Limited; 13. Mitsubishi Heavy Industries-VST Diesel Engines Private Limited; and 14. VST Holdings Private Limited
10.	**Satyanarayan Agarwal** **Address:** 11/3, Nandi Durg Road, Jayamahal Extension, Bengaluru 560 046, Karnataka, India **Designation:** Independent Director **Occupation:** Professional **DIN:** 00111187 **Term:** For a period of 5 years with effect from September 30, 2014 **Nationality**: Indian	71	1. Bhuruka Gases Limited; 2. Bhoruka Power Corporation Limited; 3. Bhoruka Agro Business Private Limited; 4. Bhuruka Gases Investments India Private Limited; 5. Bhoruka Power Investments India Private Limited; 6. Bhoruka Steel and Services Limited; 7. Pharmed Limited; 8. Prabhu Structures Investment India Private Limited; and 9. Bhoruka Cogen Power Private Limited
11.	**Dr. Ashok Misra** **Address:** 68, Adarsh Vista, Basanvan Nagar Main Road, Vibhuthipura, Bengaluru 560 037, Karnataka, India **Designation:** Independent Director **Occupation:** Professional **DIN:** 00006051 **Term:** For a period of 5 years with effect from November 5, 2015 **Nationality**: Indian	68	1. Reliance Industries Limited; and 2. Jubilant Life Sciences Limited
12.	**Krishnamurthy Ganesh** **Address:** 34 Jawahar Nagar. 3rd Main Road, Chennai 600 082, Tamil Nadu, India **Designation:** Nominee Director **Occupation:** Professional **DIN:** 05160176 **Term:** Valid until the next Annual General Meeting **Nationality**: Indian	55	NIL

**Our Company has made an application dated September 30, 2015 to the Central Government seeking their approval for payment of managerial remuneration to Vijay Kirloskar as an Executive Chairman in excess of the limits prescribed under Schedule V and other applicable provisions of the Companies Act. As on date of this Preliminary Placement Document, the abovementioned application is pending before the Central Government.*

***SEBI passed an ex-parte order dated June 4, 2013 ("SEBI Order") in connection with non-compliance by Batliboi Limited with minimum public shareholding requirements stipulated under the SCRR ("Minimum Public Shareholding"). Vijay Kirloskar, Executive Chairman of our Company is an independent director on the board of Batliboi Limited. Pursuant to the SEBI Order, SEBI has directed freezing of voting rights and corporate benefits with respect to the excess of proportionate shareholding of the promoter and promoter group entities of Batliboi Limited, prohibited promoter and promoter group entities and directors on the board of Batliboi Limited from buying, selling or otherwise dealing in securities of Batliboi Limited, either directly or indirectly, till the time of compliance with Minimum Public Shareholding, restrained the promoter and promoter group entities and directors of Batliboi Limited from holding any new position as director in any other listed company with effect from the date of the SEBI Order. Batliboi Limited vide a letter dated October 16, 2014 submitted to SEBI that the company had appointed L&T Infrastructure Finance Company Limited to act as a trustee for Karunya Trust ("Trust") pursuant to the approval received on May 23, 2014 for achieving Minimum Public Shareholding. Further, SEBI passed an order dated October 19, 2015 and modified the SEBI Order to the extent that it shall not hinder the transfer of excess shareholding of the promoters of Batliboi Limited to the Trust and complete the process of transfer of shares to the Trust within period of two months from the date of the order. Pursuant to the order dated October 19, 2015, SEBI has vacated the interim direction issued in SEBI Order against Batliboi Limited, its directors, promoters and promoter group. However, the interim direction issued in SEBI Order shall be re-imposed immediately in case the transfer process of the shares of Batliboi Limited is not successful within the period of two months from the date of the order dated October 19, 2015 or the Trust is not able to sell the shares so transferred within a period of two years from the date of transfer.*

Brief Profile of the Directors of our Company

Vijay Kirloskar, aged 65 years, is the Executive Chairman of our Company. He holds a Bachelor of Science and Masters of Management Science and Engineering from Worchester Polytechnic Institute, Massachusetts. He has over three decades of experience in the field of sales and marketing and electrical industry and has been on the Board of our Company since 1985. He is responsible for carrying out such duties and exercises all such powers for the purposes of management of our Company as may be assigned and vested in him by the Board. He was the Vice President of Confederation of Indian Industries and Chairman (Southern Region) of Confederation of Indian Industries.

Vinayak Bapat, aged 49 years, is the Managing Director of our Company. He holds a Bachelor's degree in Commerce from Shivaji University. He is a member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He has received Business Leadership award in 2015 from Indian Achievers Forum and was also awarded Recognition of Excellence from CFO 100 in 2014 and 2015. He has over 26 years of experience in the fields of business strategy development, financial assessment and business reorganisation and turnaround and has been with our Company since January 31, 2011. He was appointed as the Managing Director of the Company in the year 2014 and is responsible for the management of our Company's day to day affairs. Prior to joining our Company, he has worked with Renfro India Private Limited and Cummins Generator Technologies India Limited.

Anand Hunnur, aged 55 years, is Director -Sales (Whole time director) of our Company. He holds a Bachelor's degree in Engineering from Karnataka University and he has also done his Diploma in Marketing & Sales Management from Bharatiya Vidya Bhavan, Mumbai. He has over 32 years of experience in the field of sales and marketing and has been with our Company since November 29, 2011. He was appointed as an Executive Director (Sales) of the Company in the year 2014 and is responsible for marketing and sales of the product of the Company. Prior to joining our Company, he has worked with WEG Electric (India) Private Limited and Trident Powercraft Private Limited.

Meena Kirloskar, aged 60 years, is a Non – Executive and Non – Independent Director of our Company. She has over 20 years' experience in the field of business management and has been with our Company since 2009.

Janaki Kiroskar, aged 35 years, is a Non – Executive and Non – Independent Director of our Company. She holds a Bachelor of Science degree from Worcester Polytechnic Institute. She has been with our Company since 2015.

Anil Bhandari, aged 72 years, is an Independent Director of our Company. He was appointed as an Independent Director on September 30, 2014. He is also the Chairman of Coffee Committee of United Planters Association of South India and Chairman of Karnataka Planters Association.

Kamlesh Gandhi, aged 66 years, is an Independent Director of our Company. He has over 43 years of experience in the field of Capital and Financial markets. He was appointed as an Independent Director on September 30, 2014.

Sarosh Ghandy, aged 77 years, is an Independent Director of our Company. He was appointed as an Independent Director on September 30, 2014.

Vellore Padmanaban Mahendra, aged 73 years, is an Independent Director of our Company. He holds a Bachelor's degree of Engineering from Bangalore University. He was appointed as an Independent Director on September 30, 2014.

Satyanarayan Agarwal, aged 71 years, is an Independent Director of our Company. He was appointed as an Independent Director on September 30, 2014.

Dr. Ashok Misra, aged 68 years, is an Independent Director of our Company. He holds a Bachelor of Technology degree from Indian Institute of Technology, Kanpur. He holds a Master's degree from Siillum Universitatis Tuftensis and also holds a Master's degree in Science and Doctor of Philosophy from University of Massachusetts He has done an executive development program from Kellogg Graduate School of Management. He was appointed as an Independent Director on August 2015.

Krishnamurthy Ganesh, aged 55 years, is a Nominee Director of our Company. He has been a nominee of LIC since September 30, 2013.

Relationship with other Directors

Vijay Kirloskar and Meena Kirloskar are spouses and Janaki Kirloskar is the daughter of Vijay Kirloskar and Meena Kirloskar. Except as disclosed herein, none of our Directors are related to each other.

Borrowing powers of the Board

Our Board of Directors including any committee thereof *vide* a special resolution passed by the shareholders through postal ballot at the AGM held on September 30, 2014, results of which were announced on October 1, 2014, is authorised to borrow such amounts as it deems appropriate, notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by our Company (apart from the temporary loans obtained from the Company's bankers in ordinary course of business), if any, may exceed the aggregate paid-up capital of the Company and its free reserves, provided that the total amount of money so borrowed by the Board and outstanding at any point of time shall not exceed a sum of ₹ 1,00,000 lacs.

Interest of Directors

All of the Directors, other than the Executive Directors, may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof, to the extent of commission of net profits of the Company as well as to the extent of reimbursement of expenses payable to them. The Executive Directors may be deemed interested to the extent of remuneration paid to them for services rendered as officers of our Company.

All of the Directors may also be regarded as interested in our Company to the extent of the Equity Shares held by them and also to the extent of any dividend payable to them and other distributions in respect of such Equity Shares held by them. Other than as disclosed in this Preliminary Placement Document, there were no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which the Directors were interested parties.

All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trusts, in which they are interested as directors, members, partners or trustees or where the Equity Shares of the Company are held by the relatives of the Directors.

Except as otherwise stated in this Preliminary Placement Document in this regard, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary Placement

Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them.

Furthermore, the Directors have not taken any loans from our Company.

Shareholding of Directors

The following table sets forth details regarding the shareholding of the Directors as of June 30, 2016:

Name of the Director	Number of Equity Shares	Percentage shareholding in our Company (%)
Vijay Kirloskar	91,52,035	16.42
Meena Kirloskar	1,84,514	0.33
Vinayak Bapat	3,650	0.01
Vellore Padmanaban Mahendra	2,533	Negligible
Anand Hunnur	1,208	Negligible
Sarosh Ghandy	615	Negligible
Anil Bhandari	500	Negligible
Kamlesh Gandhi	500	Negligible
Satyanarayana Agarwal	500	Negligible

Terms and Compensation of the Directors

Remuneration of Executive Chairman

Pursuant to a resolution passed by the Board of Directors at the meeting held on August 12, 2014 and by the shareholders of our Company at its annual general meeting held on September 30, 2014, Vijay Kirloskar was appointed as an Executive Chairman of our Company for a period of three years with effect from August 12, 2014 till August 11, 2017.

Further, pursuant to a resolution passed by the shareholders of our Company, the remuneration payable to Vijay Kirloskar as an Executive Chairman of the Company has been revised. He has also entered into an agreement dated September 28, 2015 with our Company for the revised terms of his remuneration. The details of remuneration which is being paid to Vijay Kirloskar are as under:

Particulars	Remuneration
Salary	₹ 40,00,000 per month with power to the Board to revise and re-fix the salary from time to time upto a sum not exceeding ₹ 50,00,000 per month
Perquisites and Allowances	Rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, re-imbursement of water, gas and electricity bills at residence, medical expenses for self and his family including dependants and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of ₹ 30,00,000 per annum and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance

Remuneration of Managing Director

Pursuant to a resolution passed by the Board of Directors at the meeting held on August 12, 2014 and by the shareholders of our Company at its annual general meeting held on September 30, 2014, Vinayak Bapat was appointed as the Managing Director of our Company for a period of three years with effect from August 12, 2014 till August 11, 2017.

Further, the remuneration payable to Vinayak Bapat as the Managing Director of the Company has been revised pursuant to a resolution dated September 28, 2015 passed by the shareholders of our Company. The details of remuneration which is being paid to Vinayak Bapat are as under:

Particulars	Remuneration
Salary	₹ 25,00,000 per annum with power to the Board to revise and re-fix the salary from time to time up to a sum not exceeding ₹ 46,00,000 per annum
Perquisites and Allowances	Rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, re-imbursement of water, gas and electricity bills at residence, medical expenses for self and his family including dependents and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of ₹ 55,00,000 per annum and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance

Remuneration of Executive Director (Sales)

Pursuant to a resolution passed by the Board of Directors at the meeting held on August 12, 2014 and by the shareholders of our Company at its annual general meeting held on September 30, 2014, Anand Hunnur was appointed as an Executive Director (sales) of our Company for a period of three years with effect from August 12, 2014 till August 11, 2017.

Further, pursuant to a resolution passed by the shareholders of our Company, the remuneration payable to Anand Hunnur as an Executive Director (sales) of the Company has been revised. He has also entered into an agreement dated September 28, 2015 with our Company for the revised terms of his remuneration. The details of remuneration which is being paid to Anand Hunnur are as under:

Particulars	Remuneration
Salary	₹ 15,00,000 per annum with power to the Board to revise and re-fix the salary from time to time up to a sum not exceeding ₹ 25,00,000 per annum
Perquisites and Allowances	Rent free accommodation (including maintenance fee) or house rent allowance in lieu thereof, special allowance, car allowance, performance incentive, re-imbursement of water, gas and electricity bills at residence, medical expenses for self and his family including dependent's and all other payments in nature of perquisites and allowances as agreed by the Board of Directors subject to ceiling of ₹ 41,00,000 per annum and the applicable premium payable on the Company's policies towards mediclaim and personal accident insurance

The remuneration paid by our Company to its Executive Directors during the three months period ended June 30, 2016 and in the Fiscal years ended March 31, 2016, 2015 and 2014, excluding contribution to provident fund and super annuation fund is stated below:

(₹ in lacs)

Name of Director	For the three months period ended June 30, 2016	Fiscal 2016	Fiscal 2015	Fiscal 2014
Vijay Kirloskar	21.00	84.00	169.15	160.14
Alok Kumar Gupta*	-	-	5.00	86.71
Vinayak Bapat	15.51	58.22	30.18	Nil**
Anand Hunnur	11.21	40.90	19.72	Nil***
Total	**47.72**	**183.12**	**224.05**	**246.85**

**Ceased to be a Director of our Company with effect from April 25, 2014*

***Appointed as the Managing Director of our Company with effect from August 12, 2014*

****Appointed as an Executive Director (Sales) of our Company with effect from August 12, 2014*

Non-Executive Directors' Commission and Sitting Fees

Our non-executive Directors are paid sitting fees which is determined by the Board of Directors. Our Company pays sitting fees of ₹ 15,000 for each meeting of the Board and the committees of the Board.

The following table sets forth all sitting fees paid by our Company to the current Non-Executive Directors during the three months period ended June 30, 2016 and in the Fiscal year ended March 31, 2016, 2015 and 2014:

(₹ in lacs)

Name of Director	For the three months period ended June 30, 2016	Fiscal 2016	Fiscal 2015	Fiscal 2014
Meena Kirloskar	0.30	1.50	1.35	1.05
Janaki Kirloskar	Nil	0.45	-	-
Anil Bhandari	Nil	2.10	1.80	2.55
Kamlesh Gandhi	0.45	1.95	1.20	0.90
Sarosh Ghandy	0.15	1.35	1.20	1.95
Vellore Padmanaban Mahendra	0.45	1.20	2.40	1.65
Satyanarayan Agarwal	0.15	1.80	1.95	1.65
Dr. Ashok Misra	0.15	0.60	-	-
A.S. Lakshamanan*	-	1.20	2.40	2.10
Ram Shahaney*	-	0.15	0.75	0.75
Total	1.65	**12.30**	**13.05**	**12.60**

**the abovementioned directors are no longer on the Board of our Company*

Corporate Governance

Our Company has been complying with the requirements of applicable law, including the Companies Act, ICDR Regulations, Listing Regulations and other SEBI guidelines, in respect of corporate governance including constitution of the Board of Directors and committees thereof.

The Board of Directors presently consists of twelve (12) directors. In compliance with the requirements of the Listing Regulations and the Companies Act, the Board of Directors includes six independent Directors. We are in compliance with the corporate governance provision of the Listing Regulations which requires at least one woman director on our Board of Directors at all times. The corporate governance framework, *inter alia*, is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of committees of the Board, as required under law. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.

Committee of the Board of Directors

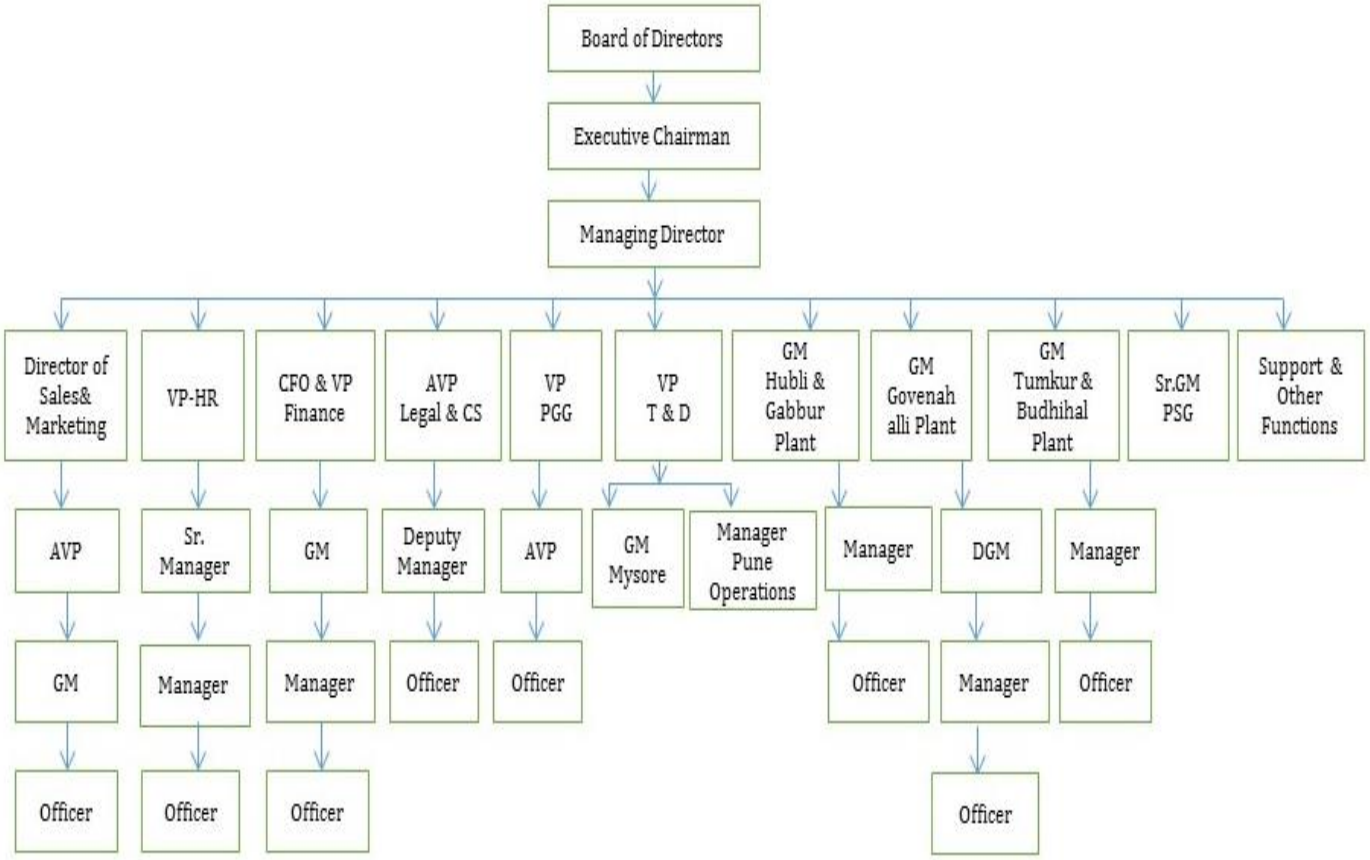
The Board of Directors has six committees, which have been constituted and function in accordance with the relevant provisions of the Companies Act and Chapter IV the Listing Regulations. The committees are as follows: (i) Audit Committee, (ii) Nomination and Remuneration Committee, (iii) Stakeholders Relationship Committee, (iv)Corporate Social Responsibility Committee, (v) Risk Management and Risk Minimization Committee and (vi) QIP Committee.

The following table sets forth the members of the aforesaid committees as of the date of this Preliminary Placement Document:

Committee	Members
Audit Committee	Kamlesh Gandhi (chairman) Satyanarayan Agarwal Anil Bhandari Sarosh Ghandy Vellore Padmanaban Mahendra
Nomination and Remuneration Committee	Satyanarayan Agarwal (chairman) Anil Bhandari Sarosh Ghandy Meena Kirloskar
Stakeholders Relationship Committee	Anil Bhandari (chairman) Vijay Kirloskar Vellore Padmanaban Mahendra

Committee	Members
Corporate Social Responsibility Committee	Sarosh Ghandy (chairman) Vijay Kirloskar Anil Bhandari Vellore Padmanaban Mahendra
Risk Management and Risk Minimization Committee	Anil Bhandari Vinayak Bapat Anand Hunnur Vikas Gandhi
QIP Committee	Vijay Kirloskar Vinayak Bapat Anand Hunnur

Organization Structure



Senior Managerial Personnel

Below are brief details of the senior managerial personnel of our Company.

For brief details of Vinayak Bapat, Managing Director and Anand Hunnur, Director –Sales (Whole-time director), please refer to the paragraph titled '***Brief Profile of the Directors of our Company***' beginning on page 138.

Soumendra Mahapatra, aged 46 years, is the Vice President and Chief Financial Officer of our Company. He holds Bachelor's degree in Commerce from Utkal University, Bhubaneswar. He is a member of the Institute of Chartered Accountants of India. He has over 21 years of experience of finance and accounting matters. Prior to joining our Company, he was associated with Core Minerals. He has been associated with our Company since June 30, 2015.

Chinmoy Patnaik, aged 47 years, is the Associate Vice-President (Legal) and Company Secretary of our Company. He holds Bachelor's degree in Commerce from Utkal University, Bhubaneswar. He is a qualified company secretary and is a member of the Institute of Company Secretaries of India. He has over 14 years of experience in secretarial matters. Prior to joining our Company, he was associated with Zenotech Laboratories Limited. He has been associated with our Company since November 18, 2015.

Sanjeev Bhat, aged 52 years, is the Vice President in the Power Generation Group of our Company. He holds Bachelor's degree in Engineering from University of Kashmir. He has over 25 years of experience in air-conditioning, refrigeration and power equipment industry. Prior to joining our Company, he was associated with Triveni Turbine Limited. He has been associated with our Company since July 12, 2012.

Thota Krishna Mohan, aged 49 years, is the Vice President – Operations of our Company. He holds certificate in Engineering from Institution of Engineers (India) and a Master's degree in Engineering from University of Technology Madhya Pradesh. He has over 22 years of experience in plant operations and production. Prior to joining our Company, he was associated with Schneider Electric Infrastructure Limited. He has been associated with our Company since November 5, 2014.

Dr. Muralidhara Mayyarapady, aged 47 years, is the Vice President in the Human Resource Department of our Company. He holds Bachelor's degree and a Master's degree in Commerce from Mangalore University. He also holds a degree in Doctor of Philosophy in Commerce from the Mangalore University. He has over 25 years of experience in human resource management. Prior to joining our Company, he was associated with Himachal Futuristic Communications Limited. He has been associated with our Company since August 20, 2012.

Rajkumar Patil, aged 51 years, is the General Manager – Sales and Marketing of our Company. He holds Bachelor's degree in Engineering from Shivaji University. He has over 22 years of experience in sales and marketing. Prior to joining our Company, he was associated with Kirloskar Brothers Limited. He has been associated with our Company since January 1, 2014.

B N Thakur, aged 45 years, is the General Manager – Production of our Company. He holds Bachelor's degree in Engineering from Bangalore University. He has over 21 years of experience in Production. Prior to joining our Company, he was associated with Thyssenkrupp Electrical Steel India Private Limited. He has been associated with our Company since February 12, 2010.

Lokesha S, aged 38 years, is the General Manager of our Company. He holds Bachelor's degree in Engineering from University of Mysore and a Master's degree of Technology from Manipal Institute of Technology. He has been associated with our Company since February 14, 2003.

Mysore Madhusudan, aged 64 years, is the Senior General Manager of our Company. He holds Bachelor in Science degree from Bangalore University and a Bachelor of Engineering degree from Indian Institute of Science, Bengaluru. He has been associated with our Company since 1979.

K. Jagannatha, aged 59 years, is the Associate Vice President of our Company. He holds Bachelor of Engineering degree in from University of Mysore. He has been associated with our Company since 1980.

Relationship with the Directors and other senior managerial personnel

None of our senior managerial personnel are related to the directors or with each other.

Interests of Senior Managerial Personnel

Except as stated in "***Financial Statements – Related Party Transactions***" beginning on page 205, and to the extent of remuneration or benefits to which they are entitled as per the terms of their appointment and reimbursement of expenses incurred by them in the ordinary course of business, our Company's senior managerial personnel do not have any other interest in our Company.

Shareholding of Senior Managerial Personnel

Except as stated under, none of our senior managerial personnel are holding any shares in our Company as on June 30, 2016

Name of Senior Managerial Personnel	Number of shares held
K. Jagannatha	500
Mysore Madhusudan	50

Payment or Benefit to Directors and Key Managerial Personnel of our Company

The perquisites and allowances that may be payable to the Directors are in accordance with the Companies Act, 2013. The perquisites and allowances that may be payable to the key managerial personnel of our Company are in accordance with our Company's human resources policies. Except as disclosed above, our Directors and key managerial personnel are not entitled to any other non-salary related amount or benefit.

Related Party Transactions

Related party transactions entered by our Company during the last three Financial Years are determined in accordance with Accounting Standard 18 issued by the ICAI. For further details, see the section "***Financial Statements – Related Party Transactions***" beginning on page 205.

Employees' Stock Option Plan

At present, our Company does not have any stock option scheme for its employees or management.

Loans to Directors and Senior Managerial Personnel

As on the date of this Preliminary Placement Document, there are no amounts which are due to our Company, from any of its Directors or key managerial personnel in the nature of loans and advances, except advances made, if any, in the ordinary course of business. Our Company has not given any guarantees in favour of any Director or any key managerial personnel.

Policy on disclosure and internal procedure for prevention of insider trading

SEBI Prohibition of Insider Trading Regulation applies to our Company and its employees and requires our Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Prohibition of Insider Trading Regulations.

Other Confirmations

Except as stated above in "*Interest of our Directors*" and "*Interests of Senior Managerial Personnel*", none of our Directors or any Senior Managerial Personnel of our Company has any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

PRINCIPAL SHAREHOLDERS

The table below represents the shareholding pattern of our Company in accordance with Regulation 31 of the Listing Regulations, as on June 30, 2016:

Summary statement holding of Equity Shares

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)As a % of (A+B+C2)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
						No.(a)	As a % of total Shares held(b)	No.(a)	As a % of total Shares held(b)	
(A) Promoter & Promoter Group	10	30, 138, 444	30, 138, 444	54.08	56.19	26,58,200	8.82	2,48,86,143	82.57	30, 138, 444
(B) Public	38,355	25,595,279	25, 595, 279	45.92	43.18		0.00		0.00	22, 117, 058
(C1) Shares underlying DRs				0.00	0.00		0.00		0.00	
(C2) Shares held by Employee Trust				0.00	0.00		0.00		0.00	
(C) Non Promoter-Non Public				0.00	0.00		0.00		0.00	
Grand Total	38,365	5,57,33,723	5,57,33,723	100.00	100.00	26,58,200	4.77	2,48,86,143	44.65	52, 255, 502
Note:	C=C1+C2 Grand Total=A+B+C									

Statement showing shareholding pattern of the Promoter and Promoter Group

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)As a % of (A+B+C2)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
						No.(a)	As a % of total Shares held(b)	No.(a)	As a % of total Shares held(b)	
A1) Indian							0.00		0.00	
Individuals/Hindu undivided Family	2	9,336,549	9,336,549	16.75	20.58	26,58,200	28.47	40,97,783	43.89	9, 336, 549
Meena V Kirloskar		1,84,514	1,84,514	0.33	0.32		0.00	1,84,514	100.00	1,84,514
Vijay Ravindra Kirloskar		91,52,035	91,52,035	16.42	20.27	26,58,200	29.04	39,13,269	42.76	91,52,035
Any Other (specify)	8	2,08,01,895	2,08,01,895	37.32	35.61		0.00	2,07,88,360	99.93	2,08,01,895
Vijayjyothi Investments and Agencies Private Limited	1	42,71,217	42,71,217	7.66	7.31		0.00	42,57,682	99.68	42,71,217
Vijay Farms Private Limited	1	35,40,807	35,40,807	6.35	6.06		0.00	35,40,807	100.00	35,40,807
Abhiman Trading Company Private Limited	1	52,17,063	52,17,063	9.36	8.93		0.00	52,17,063	100.00	52,17,063
Sri Vijayadurga Investments and Agencies Private Limited	1	17,74,506	17,74,506	3.18	3.04		0.00	17,74,506	100.00	17,74,506
Vijaykirti Investments and Agencies Private Limited	1	30,64,094	30,64,094	5.50	5.24		0.00	30,64,094	100.00	30,64,094
Vimraj Investments Private Limited	1	16,06,483	16,06,483	2.88	2.75		0.00	16,06,483	100.00	16,06,483
Kirloskar Batteries Private Limited	1	1,86,500	1,86,500	0.33	0.32		0.00	1,86,500	100.00	1,86,500
Kirloskar Power Equipments Limited	1	11,41,225	11,41,225	2.05	1.95		0.00	11,41,225	100.00	11,41,225
Sub Total A1	10	3,01,38,444	3,01,38,444	54.08	56.19	26,58,200	8.82	2,48,86,143	82.57	3,01,38,444

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)As a % of (A+B+C2)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
						No.(a)	As a % of total Shares held(b)	No.(a)	As a % of total Shares held(b)	
A2) Foreign				0.00	0.00		0.00		0.00	
A=A1+A2	10	3,01,38,444	3,01,38,444	54.08	56.19	26,58,200	8.82	2,48,86,143	82.57	3,01,38,444

Statement showing shareholding pattern of the Public shareholder

Category & Name of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	Total shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of equity shares held in dematerialized form(Not Applicable)
						No. (a)	As a % of total Shares held(b)	
B1) Institutions	0	0		0.00			0.00	
Foreign Portfolio Investors	2	450	450	0.00			0.00	
Financial Institutions/ Banks	20	35,1036	3,51,036	0.63			0.00	3,06,175
Insurance Companies	4	32,40,824	32,40,824	5.81			0.00	32,40,824
Life Insurance Corporation Of India	1	25,76,571	25,76,571	4.62			0.00	25,76,571
Sub Total B1	26	35,92,310	35,92,310	6.45			0.00	35,46,999
B2) Central Government/ State Government(s)/ President of India	0	0		0.00			0.00	
B3) Non-Institutions	0	0		0.00			0.00	
Individual share capital upto ₹ 2 Lacs	37,534	91,99,045	91,99,045	16.51			0.00	77,02,998

Category & Name of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	Total shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of equity shares held in dematerialized form(Not Applicable)
						No. (a)	As a % of total Shares held(b)	
Individual share capital in excess of ₹ 2 Lacs	81	45,30,568	45,30,568	8.13			0.00	45,30,568
NBFCs registered with RBI	1	4,600	4,600	0.01			0.00	4,600
Any Other (specify)	713	82,68,756	82,68,756	14.84			0.00	63,31,893
M/S. Hawker Siddeley Management Ltd.,	1	18,96,044	18,96,044	3.40			0.00	
Prabhudas Lilladher Private Limited	1	5,57,846	5,57,846	1.00			0.00	5,57,846
Enemy Property	1	232	232	0.00			0.00	
Overseas corporate bodies	1	18,96,044	18,96,044	3.40			0.00	
Foreign Individuals or NRI	5	1,0352	10,352	0.02			0.00	995
Trusts	3	1,45,981	1,45,981	0.26			0.00	1,45,981
Clearing Members	303	25,33,031	25,33,031	4.54			0.00	25,33,031
Bodies Corporate	400	3,68,3116	36,83,116	6.61			0.00	36,51,886
Sub Total B3	38,329	2,20,02,969	2,20,02,969	39.48			0.00	1,85,70,059
B=B1+B2+B3	38,355	2,55,95,279	2,55,95,279	45.92			0.00	2,21,17,058

Details of the shareholders acting as persons in Concert including their Shareholding (No. and %):

Details of Shares which remain unclaimed may be given hear along with details such as number of shareholders, outstanding shares held in demat/unclaimed suspense account, voting rights which are frozen etc.

Note

1) *PAN would not be displayed on website of Stock Exchange(s).*
2) *The above format needs to disclose name of all holders holding more than 1% of total number of shares*
3) *W.r.t. the information pertaining to Depository Receipts, the same may be disclosed in the respective columns to the extent information available.*

Statement showing shareholding pattern of the Non Promoter- Non Public shareholder

Category & Name of the Shareholders(I)	No. of shareholder(III)	No. of fully paid up equity shares held(IV)	Total no. shares held(VII = IV+V+ VI)	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)(VIII)	Total shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)(XI)	Number of Locked in shares(XII)		Number of equity shares held in dematerialized form(XIV)(Not Applicable)
						No	As a % of total Shares held	
C1)Custodian/ DR Holder	0	0		0.00			0.00	
C2)Employee Benefit Trust	0	0		0.00			0.00	

Note

1) *PAN would not be displayed on website of Stock Exchange(s).*
2) *The above format needs to disclose name of all holders holding more than 1% of total number of shares*
3) *W.r.t. the information pertaining to Depository Receipts, the same may be disclosed in the respective columns to the extent information available.*

Details of disclosure made by the Trading Members holding 1% or more of the Total No. of shares of the company.

Sl. No.	Name of the Trading Member	Name of the Beneficial Owner	No. of shares held	% of total no. of shares	Date of reporting by the Trading Member
	NIL	NIL	NIL	NIL	NIL

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, bidding, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the BRLM. Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM and its respective directors, officers, agents, advisors, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the BRLM and its respective directors, officers, agents, advisors, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares. Investor is advised to inform themselves of any restrictions or limitations that may be applicable to them. See the sections ***"Distribution and Solicitation Restrictions"*** *and* ***"Transfer Restrictions"*** *beginning on pages 164 and 169, respectively.*

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and, through the mechanism of a QIP. Under Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company may issue equity shares to QIBs subject to certain conditions including:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the Relevant Date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- the issuer shall have completed allotments with respect to any prior offer or invitation made by the issuer or shall have withdrawn or abandoned any prior invitation or offer made by the issuer;
- the issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to at least ₹ 20,000 calculated at the face value of the securities;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited

At least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Issue Closing Date.
Additionally, there is a minimum pricing requirement under the ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class of the Equity

Shares of the Issuer quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of up to 5% of the Floor Price is permitted in accordance with the provisions of the ICDR Regulations.

The "Relevant Date" referred to above, for Floor Price, will be the date of the meeting in which the Board of Directors or any committee duly authorised by the Board of Directors decides to open the Issue and "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the Relevant Date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Regulation 28(1) of the Listing Regulations for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of this Preliminary Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by (i) the Board pursuant to a resolution passed on May 18, 2016, and (ii) the shareholders, pursuant to a resolution passed at the EGM held on June 24, 2016.

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, please see the section ***"Issue Procedure – Pricing and Allocation – Designated Date and Allotment of Equity Shares"*** beginning on page 159.

The Equity Shares issued pursuant to the Issue must be issued on the basis of this Preliminary Placement Document and the Placement Document that shall contain all material information including the information specified in Schedule XVIII of the ICDR Regulations and the requirements prescribed under Form PAS-4 of the Companies (Prospectus and Allotment of Securities) Rules, 2014. The Preliminary Placement Document and the Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of Allottees for the Issue shall not be less than:

two, where the issue size is less than or equal to ₹ 25,000 Lacs; and

five, where the issue size is greater than ₹ 25,000 Lacs.

No single allottee shall be allotted more than 50 % of the issue size.

QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", please see the section ***"Issue Procedure—Application Process—Application Form"*** beginning on page 157**.**

Securities allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in reliance on Regulation S. For a description of certain restrictions on transfer of the Equity Shares, please see "***Transfer Restrictions***".

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Company and BRLM shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of QIBs to whom the Bid-cum-Application Form is delivered shall be determined by our Company in consultation with the BRLM. **UNLESS A SERIALLY NUMBERED PRELIMINARY PLACEMENT DOCUMENT ALONG WITH THE SERIALLY NUMBERED APPLICATION FORM IS ADDRESSED TO A PARTICULAR QIB, NO INVITATION TO SUBSCRIBE SHALL BE DEEMED TO HAVE BEEN MADE TO SUCH QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid. Our Company shall intimate the Bid/Issue Opening Date to the Stock Exchanges.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the BRLM.

4. Bidders will be required to indicate the following in the Application Form:

   - name of the QIB to whom Equity Shares are to be Allotted;
   - number of Equity Shares Bid for;
   - price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by our Company in consultation with the BRLM at or above the Floor Price or the Floor Price net of such discount as approved in accordance with ICDR Regulations;
   - details of the depository account to which the Equity Shares should be credited; and
   - a representation that it is outside the United States, and it has agreed to certain other representations set forth in the Application Form.

   Note: **Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Bids.**

5. Once a duly completed Application Form (including the revision of bids) is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Issue Closing Date. The Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI. Upon receipt of the Application Form, after the Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the BRLM. Upon determination of the final terms of the Equity Shares, the BRLM will send the serially numbered CAN along with the Placement Document to the QIBs

who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. **PLEASE NOTE THAT THE ALLOCATION WILL BE AT THE ABSOLUTE DISCRETION OF OUR COMPANY AND WILL BE BASED ON THE RECOMMENDATION OF THE BRLM.**

7. Pursuant to receiving a CAN, each successful Bidder shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective successful Bidder. No payment shall be made by successful Bidder in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

8. Upon receipt of the application monies from the QIBs, our Company shall Allot Equity Shares as per the details in the CANs sent to the successful Bidder.

9. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for final listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the successful Bidder.

10. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

11. Our Company will then apply for the final trading approvals from the Stock Exchanges.

12. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

13. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the BRLM shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the ICDR Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the ICDR Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the ICDR Regulations, a QIB means:

- alternate investment funds registered with SEBI
- Eligible FPIs;
- foreign venture capital investors registered with SEBI;
- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;

- Mutual Fund;
- pension funds with minimum corpus of ₹ 2,500 Lacs;
- provident funds with minimum corpus of ₹ 2,500 Lacs;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporation;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India; and
- venture capital funds registered with SEBI;

FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs are permitted to participate through the portfolio investment scheme under Schedule 2 and Schedule 2A of FEMA 20 respectively, in this Issue. FIIs and Eligible FPIs are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA 20, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the shareholders of our Company. With the approval of our Board dated May 18, 2016 and a special resolution of our Equity Shareholders dated June 24, 2016, the FII investment limit has been raised up to 49 % of the issued and paid-up capital of the Company.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

An FII or sub-account (other than a sub-account which is a foreign corporate or a foreign individual) who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII or sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until the expiry of its registration as a FII or sub-account, or until it obtains a certificate of registration as FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included. FPI's investing in this Issue should ensure that they are eligible under the applicable law or regulation to apply in this Issue.

Allotments to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

Under Regulation 86(1)(b) of the ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or persons related to the Promoter;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoter.

Our Company and the BRLM are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code, and the QIB shall be solely responsible for compliance with the provisions of the Takeover Code, SEBI (Prohibition of Insider Trading) Regulations, 1992 and other applicable laws, rules, regulations, guidelines and circulars.

A minimum of 10% of the Equity Shares in the Issue shall be allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion (or part thereof not so taken up) may be allotted to other QIBs.

Note: Affiliates or associates of the BRLM who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the BRLM in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections "***Notice to Investors***", "***Representations by Investors***", "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 2, 3, 164, and 169, respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the ICDR Regulations and is not excluded under Regulation 86 of the ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in the Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoters or Promoter Group or persons related to the Promoters as defined in the ICDR Regulations;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters as defined in the ICDR Regulations;

4. The QIB acknowledges that it has no right to withdraw its Application after the Issue Closing Date;

5. The QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so Allotted. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

8. The QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50 per cent of the Issue Size. For the purposes of this representation:

    - The expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

    - 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

9. The QIBs shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PERMANENT ACCOUNT NUMBER, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, E-MAIL ID AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE BRLM, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLM TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BRLM, COLLECTION BANK(S) OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by our Company in favour of the QIB.

Bids by Mutual Funds

The bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme/fund of a mutual fund registered with SEBI, will have to submit separate Application Form.

Each mutual fund will have to submit separate Application Forms for each of its participating schemes. Such applications will not be treated as multiple bids provided that the bids clearly indicate the scheme for which the bid has been made. However, for the purpose of calculating the number of allotters/applicants, various schemes of the same mutual fund will be considered as a single allottee/applicant.

The above information is given for the benefit of the Bidders. We and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Preliminary Placement Document. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under the applicable laws and regulations.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the BRLM either through electronic form or through physical delivery at the following address:

Name	*Address*	*Contact Person*	*Email*	*Contact details*
Mark Corporate Advisors Private Limited	404/1, The Summit Business Bay, Sant Janabai Road (Service Lane), Off. W. E. Highway, Vile Parle (East) Mumbai - 400 057, Maharashtra, India	Manish Gaur	qip@markcorporateadvisors.com	**Telfax:** +91-22 2612 3207/08

The BRLM shall not be required to provide any written acknowledgement of receipt of the Application Form.

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the Book

The QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the BRLM. Such Bids cannot be withdrawn after the Issue Closing Date. The book shall be maintained by the BRLM.

Price Discovery and Allocation

Our Company, in consultation with the BRLM, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Company may offer a discount of not more than five (5) % on the Floor Price in terms of Regulation 85 of the ICDR Regulations.

After finalization of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the BRLM on a discretionary basis and in compliance with Chapter VIII of the ICDR Regulations. Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand.

The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be decided by us in consultation with the BRLM on a discretionary basis. Allocation to Mutual Funds for up to a minimum of 10 % of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BRLM IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BRLM AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLM ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on the Application Forms received, our Company, in consultation with the BRLM, in their sole and absolute discretion, shall decide the successful Bidder to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such successful Bidder. Additionally, a CAN will include details of the relevant Escrow Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective successful Bidder's account.

The successful Bidders would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN. The dispatch of the serially numbered Placement Document and the serially numbered CAN to the successful QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by Company and the BRLM and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Company has opened an escrow bank account; the "Kirloskar Electric Company Limited – QIP Escrow Account" with Bank of India in terms of the arrangement among our Company, the BRLM and Bank of India as escrow bank. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

If the payment is not made favoring "Kirloskar Electric Company Limited – QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

Our Company undertakes to utilise the amount deposited in "Kirloskar Electric Company Limited – QIP Escrow Account" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

In case of cancellations or default by the QIBs, our Company, the BRLM has the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the successful QIBs pay the amount payable as mentioned in the CAN issued to them to the "Kirloskar Electric Company Limited – QIP Escrow Account" as stated above. The Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever. Post the Allotment and credit of Equity Shares into the QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of QIBs who have been Allotted more than five (5) per cent of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Bank shall release the monies lying to the credit of the Escrow Cash Account to our Company after Allotment of Equity Shares to QIBs.

In accordance with the Companies Act, 2013, in the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or there is a cancellation of the Issue within 60 days from the date of receipt of application money from a successful Bidder, our Company shall repay the application money within 15 days from expiry of 60 day period, failing which our Company shall repay that money to such successful Bidders with interest at the rate of 12 per cent per annum from expiry of the 60th day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the BRLM, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the BRLM in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in the Issue shall be only in dematerialized form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode). A QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL. The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the BRLM will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

Release of funds to our Company

The Escrow Bank shall not release the monies lying to the credit of the "Kirloskar Electric Company Limited – QIP Escrow Account" till such time, that it receives an instruction in pursuance to the Escrow Agreement, along with the Listing approval of the Stock Exchanges for the Equity Shares offered in the Issue.

PLACEMENT

The BRLM has entered into a placement agreement with us (the "**Placement Agreement**"), pursuant to which the BRLM has agreed to procure, on a reasonable efforts basis, QIBs to subscribe for Equity Shares to be issued pursuant to the Issue, pursuant to Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Placement Agreement contains customary representations and warranties as well as indemnities from our Company and the BRLM, and is subject to certain conditions and termination provisions contained therein.

Applications will be made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or to any class of investors other than eligible QIBs.

In connection with the Issue, the BRLM (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLM may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the BRLM may purchase Equity Shares and be allocated Equity Shares.

From time to time, the BRLM, and the affiliates and associates of such entity have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Company, its Subsidiaries, group companies, affiliates and the Shareholders, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the BRLM and its affiliates and associates.

Lock-up

Our Company has agreed that it will not, without the prior written consent of the BRLM (which such consent shall not be unreasonably withheld), for the period commencing from the date of the Placement Agreement and ending 180 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise.

Our Promoters have agreed that without the prior written consent of the BRLM (which such consent shall not be unreasonably withheld), it will not, during the period commencing from the date of the Placement Agreement and ending 180 days after the date of allotment of the Issue Shares, directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; provided however

that the foregoing restrictions will (i) not be applicable to any pledge or mortgage of the Equity Shares already existing on the date of the Placement Agreement or transfer of such existing pledge or mortgage; and (ii) not restrict the existing shareholders of our Company from acquiring or purchasing any Equity Shares in our Company, directly or indirectly, in accordance with and subject to applicable laws.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable ICDR Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described "***Transfer Restrictions***" on page 169.

India

This Preliminary Placement Document may not be distributed, directly or indirectly, in India or to residents of India and any Equity Shares may not be offered or sold, directly or indirectly, in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs. This Preliminary Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made.

Bahrain

The Issue is a private placement in Bahrain. Therefore, it is not subject to the regulations of the Central Bank of Bahrain that apply to public offerings of securities, and the extensive disclosure requirements and other protections that these regulations contain. This Preliminary Placement Document is therefore intended only for accredited investors. The financial instruments offered by way of private placement may only be offered in minimum subscriptions of $100,000 (or equivalent in other currencies). The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this Preliminary Placement Document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Preliminary Placement Document. To the best of our Company's board of directors' and management's knowledge and belief, who have taken all reasonable care to ensure that such is the case, the information contained in this Preliminary Placement Document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

(a) to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

(b) to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the BRLM; and

(c) in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company or the BRLM of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Neither our Company nor the BRLM has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary on their behalf, other than offers made by our Company or the BRLM.

Hong Kong

The Preliminary Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Preliminary Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorized by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Offer. If recipients are in any doubt about any of the contents of this Preliminary Placement Document, they should obtain independent professional advice.

The Preliminary Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Preliminary Placement Document must not be issued, circulated or distributed in Hong Kong other than:

- to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

- in other circumstances which do not result in this Preliminary Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Preliminary Placement Document may issue, circulate or distribute this Preliminary Placement Document in Hong

Kong or make or give a copy of this Preliminary Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

Kuwait

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has our Company received authorisation or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Interests within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares may be rendered within Kuwait by our Company or persons representing our Company.

Oman

This Preliminary Placement Document and the Equity Shares offered under it are issued and governed by the laws of India.

No offer or marketing of the Equity Shares has been or will be made by our Company from within the Sultanate of Oman and no subscription for Equity Shares may or will be effected or undertaken within the Sultanate of Oman. Our Company does not have a presence or representation in the Sultanate of Oman and any purchase of the Equity Shares will be deemed to be made in and under the laws of India.

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Preliminary Placement Document has not been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, and neither our Company nor the BRLM is authorized or licensed by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, to market or sell the Equity Shares within the Sultanate of Oman.

The Equity Shares offered under this Preliminary Placement Document have not and will not be listed on any stock exchange in the Sultanate of Oman.

Qatar

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Preliminary Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither our Company nor the BRLM is authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither our Company nor the BRLM is, by distributing this Preliminary Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Placement Document

is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Preliminary Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Preliminary Placement Document you should consult an authorised financial adviser.

Singapore

The Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates ("**U.A.E.**") other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this Preliminary Placement Document does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. Our Company and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Preliminary Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Preliminary Placement Document is being issued to a limited number of selected

institutional and sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. This Preliminary Placement Document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

Dubai International Financial Centre

This Preliminary Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a ''fund'' or a ''collective investment scheme'' within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

United Kingdom (in addition to the European Economic Area selling restrictions above)

The Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Placement Document have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The BRLM (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

United States of America

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws. The Equity Shares are not being offered or sold in the United States in the Issue. The Equity Shares are being offered and sold in the Issue only outside the United States in accordance with Regulation S. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "***Transfer Restrictions***" on page 169.

TRANSFER RESTRICTIONS

The Equity Shares Allotted in the Issue are not permitted to be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

United States of America

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

Each purchaser of the Equity Shares, by accepting delivery of this Preliminary Placement Document, will be deemed to:

- Represent and warrant to our Company, the BRLM and its affiliates that the offer and sale of the Equity Shares to it is in compliance with all applicable laws and regulations.

- Represent and warrant to our Company, the BRLM and its affiliates that it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated.

- Represent and warrant to our Company, the BRLM and its affiliates that it did not purchase the Equity Shares as a result of any directed selling efforts (as defined in Regulation S).

- Acknowledge that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and warrant to our Company, the BRLM and its respective affiliates that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.

- Represent and warrant to our Company, the BRLM and its affiliates that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- Acknowledge that our Company, the BRLM and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and warrant to our Company and the BRLM that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company and the BRLM.

Any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognized by our Company.

INDIAN SECURITIES MARKET

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the BRLM or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities and Exchange Board of India Act, 1992, as amended (the "**SEBI Act**"), the Securities Contracts (Regulation) Act, 1956, as amended (the "**SCRA**") and the Securities Contracts (Regulation) Rules, 1957, as amended (the "**SCRR**"), the Depositories Act, the Companies Act, and various other rules and regulations framed thereunder. On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the securities markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices and protect the interests of investors. Regulations and guidelines concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, foreign portfolio investors, credit rating agencies and other securities market participants have been notified by the SEBI.

Most of the stock exchanges have their own governing board for self-regulation. The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI including the Listing Regulations. The SCRA and the SCRR, empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in the securities of a listed company for a breach of or non-compliance with, any of the conditions or breach of company's obligations for listing of securities or for any reason. SEBI also has the power to amend the bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Pursuant to an amendment dated June 4, 2010 to the SCRR, all listed companies (except public sector companies) are required to maintain a minimum public shareholding of at least 25%. Any listed company which had public shareholding of less than 25% at the time of commencement of the amendment dated June 4, 2010 to the SCRR was required to increase its public shareholding to at least 25% within a period of three years from the date of such commencement. The SCRR also provides that if the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall in the manner prescribed by the SEBI. Consequently, a listed company may be delisted from the stock exchanges for not complying with the minimum public shareholding requirement. Our Company is in compliance with this minimum public shareholding requirement.

Disclosures under the Companies Act, 2013 and the Listing Regulations

Public limited companies are required under the Companies Act and the Listing Regulations to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance under the Companies Act, related party transactions and management's discussion and analysis as required under the Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the Listing Regulations.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier. With effect from October 1, 2013, the Stock Exchanges, shall on a daily basis translate the 10 %, 15 % and 20 % circuit breaker limits of market wide index variation based on the previous days' closing level of the index.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20 % movements either up or down for all scrips in the compulsory rolling settlement. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be maintained by the stockbrokers.

BSE

BSE was established in 1875 and is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated and is now a company under the Companies Act.

NSE

NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide online satellite-linked screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a

stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

Stock Market Indices

There are several indices of stock prices on NSE, which include the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap and CNX100. S&P CNX Nifty is a diversified 51 stock index accounting for various sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on BSE are the Sensex and the BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. The Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies, including the 30 in the Sensex, with 1983-1984 as the base year.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with the BSE Online Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading (NEAT), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Internet-based Securities Trading and Services

The SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI and other applicable law. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**"), which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to any acquisition of the company's shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to

certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Prohibition of Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (the "**Insider Trading Regulations**") have been notified by SEBI to prohibit and penalize insider trading in India. An "insider" is defined to include any person who has received or has access to unpublished price sensitive information ("**UPSI**") or a "Connected Person". A "Connected Person" includes, inter alia, any person who is or has directly or indirectly, been associated with the company in any capacity whether contractual, fiduciary or employment or has any professional or business relationship with the company whether permanent or temporary, during the six months prior to the concerned act which would allow or reasonably expect to allow access, directly or indirectly, to UPSI.

An insider is, inter alia, prohibited from trading in securities of a listed or proposed to be listed company when in possession of UPSI and to provide access to any person including other insiders to the above referred UPSI except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. UPSI shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities. The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than 5% of equity shares or voting rights, and the changes therein. Initial disclosures are required from promoters, key managerial personnel, directors as well as continual disclosures by every promoter, employee or director in case value of trade exceed monetary threshold of ten lacs rupees over a calendar quarter, within two days of reaching such threshold. The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the Insider Trading Regulations.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the "**Depositories Act**") which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. The SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants and the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related laws of India.

General

As of the date of this Preliminary Placement Document, our authorized capital is ₹ 11,500 Lacs divided into (a) 850 Lacs Equity Shares of ₹ 10 each and (b) 30 Lacs Preference Shares of ₹ 100 each and the subscribed and paid-up Equity Share Capital of the Company is 5,57,33,723 Equity Shares of ₹ 10 each and outstanding preference share capital of the Company is 8,18,405 Preference Shares of ₹ 100 each.

Dividend

Under the Companies Act, 2013, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified in the Companies Act, 2013, no dividend can be declared or paid by a company for any financial year except out of the profits of the company for that year determined in accordance with the provisions of the Companies Act, 2013 or out of the undistributed profits of previous Fiscal Years or out of both, arrived at in accordance with the provisions of the Companies Act, 2013, or out of money provided by the Central Government or a state Government for payment of dividend by our Company in pursuance of a guarantee given by that government. Pursuant to the Listing Regulations, listed companies are required to declare and disclose their dividends on per share basis only. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their equity shares as at the record date for which such dividend is payable. In addition, the board may declare and pay interim dividends. Under the Companies Act, 2013, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while unpaid calls on any of his equity shares are outstanding. Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse.

Our Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of our Company. The Companies Act, 2013 and the Companies (Declaration of Dividend) Rules, 2014, provide that if the profit for a year is insufficient, the dividend for that year may be declared out of free reserves, subject to certain conditions prescribed under those legislations.

Capitalization of Reserves

As provided in the Articles of Association of our Company, our Company in a general meeting (on recommendation of the Board) may resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of our Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution; and that such sum be accordingly set free for distribution in the specified manner amongst the shareholders who would have been entitled thereto and distributed by way as such dividend and in the same proportion.

Any issue of bonus shares by a listed company would be subject to the guidelines issued by the SEBI. The relevant SEBI guidelines prescribe that no company shall, pending conversion of compulsorily convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such compulsorily convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof and should have sufficient reason to believe that it has not defaulted in respect of any statutory dues of the employees. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within fifteen days from the date of approval by the board, if the articles of association of a company do not require such company to seek shareholders' approval for capitalization of profits or reserves for making bonus issues. If a company is required to seek shareholders' approval for capitalization of profits or reserves for making bonus issues, then the bonus issue should be implemented within two months from the date of the board meeting wherein the decision to issue bonus shares was taken subject to shareholders' approval.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, 2013, our Company can increase its share capital by issuing new equity shares. Such new equity shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those equity shares at that date. The offer shall be made by notice specifying the number of equity shares offered and the date (being not less than fifteen days and not exceeding thirty days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the equity shares offered in respect of which no acceptance has been received, in such manner as they think is not disadvantageous to the shareholders and our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favor of any other person provided that the person in whose favor such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons, whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash, if a special resolution to that effect is passed by the shareholders of our Company in a general meeting. The issue of the Equity Shares pursuant to the Issue has been approved by a special resolution of our Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such Equity Shares.

Our Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of our Company's securities entitling the holder to subscribe for shares. The Articles of Association provide that our Company may consolidate or sub-divide our Company's share capital or cancel equity shares which have not been taken up by any person. Our Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act, 2013.

General Meetings of Shareholders

Our Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and within six months after the end of each accounting year. The RoC may extend this period in special circumstances at our Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act, 2013. A general meeting may be called after giving shorter notice if consent is received, in writing or by electronic mode, from shareholders holding not less than 95% of our Company's paid-up capital. Our Company's general meetings are held in Bengaluru.

A listed company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the memorandum of association, a buy-back of shares under the Companies Act, 2013, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act, 2013 is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of our Company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of thirty days from the date of such notice. Shareholders may exercise their right to vote at general meetings or through postal ballot by voting through e-voting facilities in accordance with the circular dated April 17, 2014 issued by the SEBI and the Companies Act, 2013. Under the Companies Act, 2013, unless, the Articles of Association provide for a larger number: (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders

present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company. The quorum requirements applicable to shareholder meetings under the Companies Act, 2013 have to be physically complied with.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each Shareholder entitled to vote and present in person or by proxy is in the same proportion to such Shareholder's share of the paid-up equity capital of our Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favor of the resolution must be at least three times the votes cast against the resolution. The Companies Act, 2013 provides that to amend the articles of association of a company, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting, or in case of a poll, not less than 24 hours before the time appointed for taking the poll. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act, 2013 allows our Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights, our Company must have, *inter alia*, had distributable profits in terms of the Companies Act, 2013 for the last three financial years and our Company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three financial years.

Register of Shareholders and Record Dates

The Company is obliged to maintain a register of shareholders at its Registered Office, unless a special resolution is passed in a general meeting authorizing the keeping of the register at any other place within the city, town or village in which the Registered Office is situated or any other place in India in which more than one-tenth of the total shareholders entered in the register of members reside. Our Company recognizes as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our Company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act, 2013. Under the Listing Agreements of the Stock Exchanges on which our Company's outstanding shares are listed, our Company may, upon at least seven working days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, 2013, our Company is also required to maintain a register of debenture holders and a register of any other security holders.

Annual Report and Financial Results

The annual report must be presented at the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to our Company's shareholders.

Under the Companies Act, 2013, our Company must file its balance sheet and profit and loss account with the Registrar of Companies within thirty days from the date of the annual general meeting. The Companies Act, 2013 also requires listed companies to place their financial statements, including consolidated financial statements, if any, and all other documents required to be attached thereto, on their website. As required under the Listing Regulations, copies are required to be simultaneously sent to the Stock Exchanges on which the shares are listed. Our Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region of the Registered Office (*i.e.*, Kannada).

Transfer of Equity Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

The SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The securities of our Company are freely transferable, subject to the provisions of the Companies Act, 2013. If a public company without sufficient cause refuses to register a transfer of shares within thirty days from the date on which the instrument of transfer or intimation of transmission, as the case may be, is delivered to our Company, the transferee may appeal to our Company Law Board seeking to register the transfer. Our Company Law Board is proposed to be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified.

Pursuant to the Listing Regulations, in the event that a transfer of shares is not effected within 15 days or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, our Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

A transfer may also be by transmission. Subject to the provisions of the Articles, any person becoming entitled to shares in consequence of the death or insolvency of any member may, upon producing such evidence as may from time to time properly be required by the Board, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares. The Articles of Association provide that our Company shall charge no fee for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or other similar document.

Acquisition by us of our own Equity Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act, 2013 and sanctioned by the High Court of competent jurisdiction (or the National Company Law Tribunal once it is notified). Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in our Company or its holding company. However, pursuant to the Companies Act, 2013, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares

or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of our Company;
- a special resolution has been passed in a general meeting authorizing the buy-back (in the case of listed companies, by means of a postal ballot);
- the buy-back is limited to 25% of the total paid-up capital and free reserves;
- the debt owed by our Company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

A board resolution will constitute sufficient corporate authorization for a buy-back that is for less than 10% of the total paid-up equity capital and free reserves of our Company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of shares or specified securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further, a company is prohibited from purchasing its own shares or specified securities, if our Company is in default in the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act, 2013.

Liquidation Rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

TAXATION

Date: July 25, 2016

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE AND IMPLICATIONS TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

To
The Board of Directors,
Kirloskar Electric Company Limited
P. B. No. 5555, Malleswaram West
Bangaluru – 560 055, India

Dear Sir(s),

Ref: Statement of possible tax benefits available and implications to Kirloskar Electric Company Limited and its shareholders in relation to the equity shares

We refer to the proposed issue of the equity shares of Kirloskar Electric Company Limited (the "**Company**"). In this regard, we enclose herewith a statement showing the current position of possible tax benefits available and implications to the Company and its shareholders as per the provisions of the Income-tax Act, 1961 ('**the Act**') for inclusion in the Preliminary Placement Document and Placement Document for the proposed issue of shares. Several of these benefits are dependent on the Company or its shareholders/ investors fulfilling the conditions prescribed under the relevant provisions of the statute and they being eligible to invest in the proposed issue under any and all applicable regulations. Hence, the ability of the Company or its shareholders / investors to derive these direct tax benefits is dependent upon their fulfilling such conditions stipulated in the Act and other applicable laws, if any including the Foreign Exchange Management Act, 1999, the rules framed thereunder and any directions of the Reserve Bank of India or any other regulator.

The benefits and implications discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information, explanations obtained from the Company. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax benefits and implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money in the proposed issue, based on this statement.

We do not express an opinion or provide any assurance as to whether:

- the Company or its shareholders / investors will obtain or continue to obtain these benefits in future;
- the Company has availed of any of these benefits in the past
- the Company has fulfilled the requisite conditions in the past to obtain these benefits
- the conditions prescribed for availing the benefits have been / would be met in future
- the revenue authorities / tribunals/ courts will concur with the views expressed herein.

We hereby give our consent to include enclosed statement regarding the possible tax benefits and implications available to the Company and to its shareholders/ investors in the Preliminary Placement Document and Placement Document for the proposed issue which the Company intends to submit to the Securities and Exchange Board of India. This letter is to be treated as an integral part of the enclosed statement of the possible tax benefits and implications.

Yours faithfully,

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm Registration No.: 002878S/S200021

Sd/-

CA. Vasuki H S
Partner
Membership No.: 212013

Enclosed: NOTE ON POSSIBLE TAX BENEFITS AVAILABLE AND IMPLICATIONS TO KIRLOSKAR ELECTRIC COMPANY LIMITED AND ITS SHAREHOLDERS

The information provided below sets out the possible tax benefits available and implications to the Company and the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of purchase, ownership and disposal of equity shares, under the Act presently in force in India. It is not exhaustive or comprehensive analysis and is not intended to be a substitute for professional advice.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION

UNDER THE INCOME TAX ACT, 1961 ('the Act')

Kirloskar Electric Company Limited ("**the Company**") is an Indian Company, subject to tax in India. The Company is taxed on its profits. Profits are computed after allowing all permissible business expenditure, including depreciation.

Considering the activities and the business of the Company, the following benefits and implications may be applicable.

The following is based on the provisions of the current Act, which is generally amended every fiscal year.

Levy of Income Tax

Tax implications under the Act are dependent on the residential status of the tax payer. We summarize herein below the provisions relevant for determination of residential status of a tax payer.

1. Residential status of an Individual
   As per the provisions of the Act, an individual is considered to be a resident in India during any financial year (FY) if he or she is present in India for:

   a. a period or periods aggregating to 182 days or more in that FY; or
   b. a period or periods aggregating to 60 days or more in that FY and for a period or periods aggregating to 365 days or more within the four preceding years; or

In the case of a citizen of India or a person of Indian origin living outside India who comes on a visit to India in any previous year, the limit of 60 days under point (b) above shall be read as 182 days.

In the case of a citizen of India who leaves India as member of the crew of an Indian ship or for the purposes of employment outside India in any previous year, the limit of 60 days under point (b) above, shall be read as 182 days.

Further if an individual fulfills the conditions prescribed under section 6(6) of the Act, he/she shall be treated as 'not ordinarily resident' and shall be taxed as per the provisions of section 5(1) of the Act.

2. Residential status of a company

A company is resident in India if it is formed and incorporated under the Companies Act, 1956/2013 or the place of effective management (POEM) is situated in India.

For this purpose, the place of effective management means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made. The Central Board of Direct Taxes has issued draft guiding principles for determination of POEM of a company.

3. Residential status of a Hindu undivided family (HUF), firm or AOP:

A HUF, firm or other association of persons or every other person is resident in India except when the control and management of its affairs is situated wholly outside India. Further if a HUF fulfills the conditions prescribed under section 6(6) of the Act, it shall be treated as 'not ordinarily resident' and shall be taxed as per the provisions of section 5(1) of the Act.

4. Residential status of every other person

Every other person is resident in India in a Financial Year (FY) in every case except when the control and management of his affairs is situated wholly outside India.

A person who is not a resident in India would be regarded as 'Non-Resident'.

5. Scope of taxation

In general, a person who is "resident" in India in a FY is subject to tax in India on its global income. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or arises in or is deemed to accrue or arise to such person in India is subject to tax in India.

As per explanation 5 to sub section (1) to section 9 of the Act, an asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India. Attention is also invited to explanations 6 and 7 to sub section (1) to section 9 of the Act on this matter.

In the instant case, the income from the equity shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all categories of tax payers irrespective of their residential status unless specifically exempt, as detailed later. However, a relief may be available under applicable Double Taxation Avoidance Agreement (DTAA) to certain non-residents/investors.

6. Tax Considerations

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Company and its shareholders are stated as under. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

A. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

- There are no special tax benefits available to the Company

B. SPECIAL TAX BENEFITS AVAILABLE TO THE INVESTORS

- There are no special tax benefits available to the shareholders.

C. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY

1. Dividend Income

As per the provisions of section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after April 01, 2003) received from another domestic company is exempt from income-tax. Such dividend is to be reduced while arriving at the book profits for the purposes of computing Minimum Alternative Tax (MAT) liability. This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible

- As per section 10(35) of the Act, the following income will be exempt in the hands of the Company:

  a) Income received in respect of the units of a Mutual Fund specified under section 10(23D) of the Act; or
  b) Income received in respect of units from the Administrator of the specified undertaking; or
  c) Income received in respect of units from the specified company.

However, this exemption shall not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) and (ii) "Specified Company" means a Company as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).

This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible

- However, in view of the provisions of section 14A of the Act, no deduction shall be allowed in respect of any expenditure incurred in relation to earning such dividend / exempt income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein and rule 8D of the Income Tax Rules.

- Further, section 94(7) of the Act provides that where any person buys or acquires any securities or units within a period of three months prior to the record date (as defined in explanation (aa) to section 94) and such person sells or transfers (i) such securities within a period of three months after such date or (ii) such units within a period of nine months after such date, the losses arising from the purchase and sale of such securities or units, to the extent such loss does not exceed the amount of dividend or income received or receivable on such securities or units, shall be ignored for the purposes of computing its income chargeable to tax.

2. Income from house property

- As per section 24(a) of the Act, the Company is eligible for a deduction of thirty percent of the annual value of any property of which it is the owner as defined in section 27 of the same act. The term 'annual value' is defined in section 23 of the Act.

- Further, section 24(b) of the Act provides that where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable on such capital shall be allowed as a deduction in computing the income from house property, subject to the conditions / limits specified therein. In respect of property acquired or constructed with borrowed capital, the amount of interest payable for the period prior to the year in which the property has been acquired or constructed shall be allowed as deduction in computing the income from house property in 5 equal installments beginning with the year of acquisition or construction.

3. Income from business

- Subject to compliance of certain conditions laid down in section 32 of the Act, the Company will be entitled to a deduction for depreciation in respect of tangible assets such as building, machinery, plant or furniture and intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under the Income Tax Rules, 1962. Unabsorbed depreciation, if any, shall be carried forward for set off in the subsequent years indefinitely. Apart from this, the Company is also eligible to additional depreciation under the provisions of section 32 on new machinery or plant acquired and installed after March 31, 2005.

- Subject to compliance of all conditions laid down in section 32AC, the Company will be entitled to investment allowance @ 15% of the actual cost in respect of investments made in new plant or machinery up to March 31, 2017.

- The Company will be entitled to weighted deductions on contributions made to certain institutions as specified below subject to conditions prescribed in the relevant sections.

Contribution to Funds	**% deduction of expenditure incurred**
Sum paid to specified research associations, university, college or other institution to be used for scientific research (section 35(1) (ii)). The weighted deduction of 175% referred above will stand	175%

reduced to 150% from assessment year commencing from April 1, 2018. This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2021	
Sum paid to approved scientific R&D company (registered in India) to be used for scientific research (section 35(1) (iia)). This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2018	125%
Sum paid to specified research association, university college or other institution to be used in social science or statistical research (section 35(1) (iii)). This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2018	125%
Sum paid to national laboratory or a university or an Indian Institute of Technology or a specified person for scientific research undertaken under a program approved in this behalf by the prescribed authority. (Section 35(2AA)). The weighted deduction of 200% referred above will stand reduced to 150% from assessment year commencing from April 1, 2018. This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2021	200%
Expenditure on agricultural extension project notified by Central Board of Direct Tax (CBDT) (section 35CCC). This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2021	150%
Expenditure on any skill development program notified by CBDT (section 35CCD). This weighted deduction will no longer be available from assessment year commencing on or after April 1, 2021	150%

- As per the provisions of section 35DD of the Act, any expenditure incurred wholly and exclusively for the purposes of amalgamation or demerger, the Company would be eligible for deduction of an amount equal to one-fifth of such expenditure for each of the five successive years beginning with the year in which amalgamation or demerger takes place.

- The Company will be entitled to claim expenditure incurred in respect of voluntary retirement scheme under section 35DDA of the Act in five equal annual installments commencing from the year in which such expenditure is incurred, subject to conditions specified in that section.

- As per section 71 of the Act, business loss suffered by the Company during the year is allowed to be set-off against income from any other head in the same year (other than income under the head salaries).

- As per section 72 of the Act, the Company is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of 8 consecutive assessment years immediately succeeding the assessment year when the losses were incurred, and set off such losses against income chargeable under the head "Profits and gains from business or profession" in such assessment year. However, only such losses which have been determined in pursuance of a return filed in accordance with section 139(1) of the Act shall be carried forward and set off under section 72 of the Act.

- There are special provisions in section 72A of Act relating to carry forward and set off of accumulated loss and unabsorbed depreciation in the event of amalgamation or demerger.

- As per the Finance Act, 2016, a new section 80JJAA has been inserted in place of existing section 80JJAA, whereby an assessee to whom section 44AB applies, shall be eligible for a deduction of an amount equal to 30% of additional employee cost (as defined in the said section) incurred in the course of such business in the previous year, for 3 assessment years including the assessment year relevant to the previous year in which such employment is provided, subject to conditions stipulated in the new section 80JJAA. This is subject to the Company having gross total income in accordance with the provisions of chapter VIA of the Act.

4. Minimum Alternate Tax ('MAT')

- Section 115JB of the Act provides that in case the income tax payable under the normal provisions of the Act is less than 18.5% of the book profits (as defined in the said section) of the Company, then such book profit would be deemed to be the total income of the Company for that year and minimum alternate tax (MAT) payable on such total income would be at the rate of 18.5% plus applicable surcharge and education cess.

- As per section 115JAA(1A) of the Act, where any tax is paid under MAT provisions for any assessment year commencing on the 1st day of April 2006, credit in respect of tax so paid shall be allowed to the Company in accordance with the provisions of the Act. Tax credit eligible to be carried forward will be the difference between the MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit shall not be allowed beyond the tenth assessment year immediately succeeding the assessment year in which the tax credit becomes allowable under subsection (1A).

5. Dividend Distribution Tax ('DDT')

Section 115-O of the Act provides for payment of DDT by a domestic company @15% (grossed up in the manner specified) plus applicable surcharge and education cess on the dividends declared, distributed or paid reduced by any dividends received from its subsidiary provided that :-

a) where such subsidiary is a domestic company and has paid DDT on the dividends declared/distributed/paid by it or
b) Where such subsidiary is a foreign company, the domestic company has paid taxes under section 115BBD of the Act at the applicable rates on such dividend income.
For the said purpose, a company shall be a subsidiary of another company, if such other company, holds more than half in nominal value of the equity share capital of the former mentioned company.

6. Capital Gains

- As per section 2(42A) of the Act, a security (other than a unit) listed in a recognized stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or a unit of an equity oriented fund or a zero coupon bond which is held for twelve months or less is considered as short term capital asset. If the period of holding of such securities is more than twelve months, it will be considered as long term capital asset as per section 2(29A) of the Act.

- In case of shares of a company (not being a share listed in the recognized stock exchange in India), the determinative period of holding is 24 months.

- In respect of other assets, the determinative period of holding is thirty six months as against the period mentioned above.

- Further, gains / losses arising from the transfer of short term capital asset and long term capital asset are regarded as short term capital gains / loss and long term capital gains / loss respectively.

- As per section 10(38) of the Act, long term capital gains arising to the Company on transfer of long term capital asset being an equity share in a Company or a unit of an equity oriented fund will be exempt in the hands of the Company, provided such transaction is chargeable to securities transaction tax.

- For this purpose, "Equity Oriented Fund" means a fund –

  a) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

  b) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

- Long term capital gains (LTCG) exempt under section 10(38) of the Act would be liable to MAT under section 115JB of the Act.

- Second proviso to section 48 of the Act provides that LTCG (in cases not covered under section 10(38) of the Act) of the Company arising on transfer of capital assets other than bonds and debentures (not being capital indexed bonds) will be computed after applying the relevant indexation on the cost of acquisition and cost of improvement.

- In accordance with section 112 of the Act, LTCG to the extent not exempt under section 10(38) of the Act would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) with indexation benefits. However, as per the proviso to section 112 of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following: -

  a. 20% (plus applicable surcharge and education cess) of the capital gains as computed after indexation of the cost; or

  b. 10% (plus applicable surcharge and education cess) of the capital gains as computed without indexation

- As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" (as defined below) within a period of 6 months from the date of such transfer. If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, if the assesse transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

"Long term specified asset" for the purpose of making investment under section 54EC of the Act, means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

a. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or;
b. by the Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956.

The total deduction with respect to investment in the long term specified assets is restricted to ₹ 50 lacs, whether invested during the financial year in which the asset is transferred or subsequent year.

- The Finance Act, 2016 has inserted a new section 54EE, where capital gains arising from the transfer of a long term capital asset and the assessee at any time within a period of 6 months invests the whole or any part of capital gains in the long term specified assets, shall be exempt in the hands of the assessee to the extent of the capital gains invested. The investment in the long term specified asset during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed ₹ 50 lacs.

For the purpose of section 54EE, "long term specified assets" means a unit or units issued before the 1st day of April, 2019 of such fund as may be notified by the Central Government in this behalf.

- As per section 50 of the Act, where a capital asset is forming part of a block of assets in respect of which depreciation has been allowed under the Act, capital gains shall be computed in the following manner:

  a. where full value of consideration on account of transfer of any asset forming part of block of asset, as reduced by expenditure incurred wholly or exclusively in connection with transfer, exceeds the written down value of block of assets and actual cost of assets acquired during the year, such excess shall be deemed to be short term capital gains and taxed accordingly.

  b. where any block of assets ceases to exist, for the reason that all the assets in that block are transferred, the difference between the consideration arising on result of transfer and the written down value of block of assets and the actual cost of assets acquired during the year, shall be deemed to be short term capital gains / (losses) and taxed accordingly.

- Section 111A of the Act provides that short term capital gains arising to the Company from the sale of a short term capital asset being an equity share or a unit of an equity oriented fund or a unit of a business trust will be taxable at the rate of 15% (plus applicable surcharge and education cess) where such transaction is chargeable to securities transaction tax. Short Term Capital Gains arising from transfer of shares in a company, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

For this purpose, 'equity oriented fund' would have the same meaning as specified in section 10(38) of the Act above.

- Short-term capital loss suffered by the Company during the year is allowed to be set-off against short term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term / short term capital gains.

- Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

- Losses arising on the purchase and sale of such shares which are speculative in nature shall be allowed to be set off only against the profits arising on speculative transactions alone. The unabsorbed losses, if any, shall be allowed to be carried forward for a period not exceeding four assessment years immediately succeeding the assessment year in which the loss is first computed and set off against the profits arising from the sale of such shares.

7. Income from buy back of shares

- As per the provisions of section 10(34A) of the Act, any income arising to the Company being a shareholder, on account of buy back of shares (not being listed on a recognized stock exchange) by a company as referred to in section 115QA of the Act will be exempt from tax. Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

8. Transfer Pricing

- All the transactions of the Company (being international transactions and specified domestic transactions) are required to be carried out at arm's length price and comply with the Indian Transfer Pricing Regulations.

9. Other deductions

- A deduction amounting to 100% (applies only to specified eligible donation) or 50%, as applicable, of sums paid as donations to various specified eligible entities is allowable from the gross total income as per section 80G of the Act. This is subject to the limits specified in sub section 4 to section 80G, wherever applicable.

- A deduction amounting to 100% of any sum contributed to any political party or an electoral trust is allowable from the gross total income under section 80GGB of the Act

D. GENERAL TAX BENEFITS AVAILABLE AND IMPLICATIONS TO RESIDENT INVESTORS

- As per section 10(34) of the Act, any income by way of dividends referred to in section 115O received on shares of any Indian company is exempt from tax. As per the Finance Act 2016, income by way of dividends from domestic companies in aggregate exceeds Rs.10 lakh shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm, resident in India, at the rate of 10% plus applicable surcharge and cess, in terms of section 115BBDA. This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible

- However, in view of the provisions of section 14A of the Act, no deduction will be allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein and rule 8D of the Income Tax Rules.

- In terms of section 94(7) of the Act provides that where any person buys or acquires any shares of a company within a period of three months prior to the record date (as defined in explanation (aa) to section 94) and such person sells or transfer such shares within a period of three months after such date, the losses arising from the purchase and sale of such shares, to the extent such loss does not exceed the amount of dividend received or receivable on such shares, shall be ignored for the purposes of computing its income chargeable to tax.

- As per the provisions of section 10(38) of the Act, long term capital gains arising on sale of equity shares in the Company would be exempt from tax where such transaction has suffered securities transaction tax.

- Second proviso to section 48 of the Act provides that the long term capital gains (in cases not covered under section 10(38) of the Act) of the shareholder arising on transfer of shares in the Company will be computed after applying the relevant indexation on the cost of acquisition. The resulting long term capital gains would be charged to tax @ 20% as per section 112 of the Act plus applicable cess.

- In accordance with section 112 of the Act, LTCG to the extent not exempt under section 10(38) of the Act would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) with indexation benefits. However, as per the proviso to section 112 of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following: -

    a. 20% (plus applicable surcharge and education cess) of the capital gains as computed after indexation of the cost; or

    b. 10% (plus applicable surcharge and education cess) of the capital gains as computed without indexation

- As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" (as defined below) within a period of 6 months from the date of such transfer. If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, if the assesse transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

"Long term specified asset" for the purpose of making investment under section 54EC of the Act, means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

    a. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or;

    b. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

The total deduction with respect to investment in the long term specified assets is restricted to ₹ 50 lacs, whether invested during the financial year in which the asset is transferred or subsequent year.

The cost of the long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction under section 80C of the Act for any assessment year beginning on or after 1 April, 2006.

- The Finance Act, 2016 has inserted a new section 54EE, where capital gain arises from the transfer of a long term capital asset and the assessee at any time within a period of 6 months invests the whole or any part of capital gains in the long term specified assets, shall be exempt in the hands of the assessee to the extent of the capital gains

invested. The investment in the long term specified asset during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed ₹ 50 lacs.

For the purpose of section 54EE, "long term specified assets" means a unit or units issued before the 1st day of April, 2019 of such fund as may be notified by the Central Government in this behalf.

- As per the provisions of section 54F of the Act and subject to the conditions specified therein particularly in the proviso to the sub section (1), long term capital gains (which are not exempt under section 10(38) of the Act) arising to an individual or a Hindu Undivided Family ("HUF") on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years after the date of such transfer. The benefits granted may be withdrawn in the circumstances specified in sub sections (2) to (4) to the said section

- As per section 74 of the Act, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long-term capital gains.

- Long term capital loss suffered during the year (other than those to which section 10(38) of the Act is applicable) is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

- Losses arising on the purchase and sale of such shares which are speculative in nature shall be allowed to be set off only against the profits arising on speculative transactions alone. The unabsorbed losses, if any, shall be allowed to be carried forward for a period not exceeding four assessment years immediately succeeding the assessment year in which the loss is first computed and set off against the profits arising from the speculative transactions in those years.

- In terms of section 36(1)(xv) of the Act, STT paid in respect of the taxable securities transactions entered into in the course of the business by a shareholder is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profit and gains of business or profession'. This is subject to the provisions of section 43B of the Act.

- Section 111A of the Act provides that short term capital gains arising to the shareholder from the sale of a short term capital asset being an equity share will be taxable at the rate of 15% (plus applicable surcharge and education cess) where such transaction is chargeable to securities transaction tax. Short Term Capital Gains arising from transfer of shares in a Company, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

E. SPECIAL TAX BENEFITS AVAILABLE AND IMPLICATIONS TO NON-RESIDENTS INVESTORS (OTHER THAN NON-RESIDENT INDIANS, MUTUAL FUNDS, FIIs AND FOREIGN VENTURE CAPITAL INVESTORS)

- As per the provisions of section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received from domestic company is exempt from income tax in the hands of shareholder. This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible.

- However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend / exempt income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein and rule 8D of the Income Tax Rules.

- Further, section 94(7) of the Act provides that where any person buys or acquires any shares of a company within a period of three months prior to the record date (as defined in explanation to section 94) and such person sells or transfer such shares within a period of three months after such date, the losses arising from the purchase and sale

of such shares, to the extent such loss does not exceed the amount of dividend received or receivable on such shares, shall be ignored for the purposes of computing its income chargeable to tax.

- As per the provisions of section 10(38) of the Act, long term capital gains arising on sale of equity shares in the Company would be exempt from tax where such transaction has suffered securities transaction tax.

- Section 111A of the Act provides that short-term capital gains arising from the sale of an equity share, being a short term capital asset in the Company, would be taxable at a concessional rate of 15 percent (plus applicable surcharge and education cess) where such transaction is liable to securities transaction tax. Short Term Capital Gains arising from transfer of shares in the Company, other than those covered by Section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

- As per Finance Act, 2015, as per clauses (iid) and (fb) of explanation 1 to section 115JB of the Act, the amount of income accruing or arising to an assessee, being a foreign company, from capital gains arising on transactions in securities shall be excluded from the chargeability of MAT (excluding a scenario where the non-resident investor has a permanent establishment in India), if such income is credited to the profit and loss account and the income-tax payable thereon in accordance with the provisions of the Act, other than the provisions of chapter XII-B, is at a rate less than the rate specified in sub-section (1) to section 115JB.

- In terms of the first proviso to section 48 of the Act, in case of a non-resident, while computing the capital gains (in cases not covered under section 10(38) of the Act and not subject to section 111A of the Act) arising from transfer of shares in the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains / loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into same foreign currency which was utilized in the purchase of shares.

- As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:

    a. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;

    b. Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place. The investment in the long term specified asset made by the Shareholder on or after April 1, 2007 during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed ₹ 50 lacs.

The cost of long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction under section 80C of the Act for any assessment year beginning on or after 1 April, 2006.

- Finance Act, 2016 has inserted a new section 54EE, where capital gain arising from the transfer of a long term capital asset and the assessee at any time within a period of 6 months invests the whole or any part of capital gains in the long term specified assets, shall be exempt in the hands of the assessee to the extent of the capital gains invested. The investment in the long term specified asset during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed ₹ 50 lacs.

For the purpose of section 54EE, "long term specified assets" means a unit or units issued before the 1st day of April, 2019 of such fund as may be notified by the Central Government in this behalf.

- Losses arising on the purchase and sale of such shares which are speculative in nature shall be allowed to be set off only against the profits arising on speculative transactions alone. The unabsorbed losses, if any, shall be allowed to be carried forward for a period not exceeding four assessment years immediately succeeding the assessment year in which the loss is first computed and set off against the profits arising from the sale of such shares.

- In terms of section 36(1) (xv) of the Act, STT paid in respect of the taxable securities transactions entered into in the course of the business by a shareholder is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profit and gains of business or profession', subject to section 43B of the Act.

- As per clauses (iid) and (fb) of explanation 1 to section 115JB of the Act, capital gains arising on transactions in securities arising to a foreign company, shall be excluded from the computation of book profits liable to MAT, if the income tax payable thereon in accordance with the provisions of the Act other than the provisions of chapter XII-B of the Act is at a rate less than the rate specified in section 115JB(1) and the book profits shall be increased by the amount of expenditure corresponding to such capital gains.

F. GENERAL TAX BENEFITS AVAILABLE AND IMPLICATIONS TO NON-RESIDENT INDIAN INVESTORS

- NRI means a citizen of India or a person of Indian origin who is not a resident. A person is deemed to be of Indian origin if he, or either of his parents or any of his grandparents, were born in undivided India.

- Provisions of section 10(34) of the Act provides that any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on investment in the shares of the Company is exempt from tax and are not subject to any deduction of tax at source. This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible.

- However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein and rule 8D of the Income Tax Rules.

- Further, section 94(7) of the Act provides that where any person buys or acquires any shares of a company within a period of three months prior to the record date (as defined in explanation (aa) to section 94) and such person sells or transfers such shares within a period of three months after such date, the losses arising from the purchase and sale of such shares, to the extent such loss does not exceed the amount of dividend received or receivable on such shares, shall be ignored for the purposes of computing its income chargeable to tax.

- Provisions of section 10(38) of the Act provides that long-term capital gains arising on transfer of equity shares in the Company would be exempt from tax, provided such transaction is chargeable to securities transaction tax.

- As per section 111A of the Act, short-term capital gains arising from the sale of an equity share, being a short term capital asset in the Company, would be taxable at a concessional rate of 15 percent (plus applicable surcharge and education cess) where such transaction is liable to securities transaction tax. Short Term Capital Gains arising from transfer of shares in the Company, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

- In terms of the first proviso to section 48 of the Act, in case of a non-resident, while computing the capital gains (in cases not covered under section 10(38) of the Act and not subject to section 111A of the Act) arising from transfer of shares in the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such

a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into same foreign currency which was utilized in the purchase of shares.

- As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" (as defined below) within a period of 6 months from the date of such transfer. If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, if the assesse transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

"Long term specified asset" for the purpose of making investment under section 54EC of the Act, means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

a. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or;

b. by the Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956.

The total deduction with respect to investment in the long term specified assets is restricted to ₹ 50 lacs whether invested during the financial year in which the asset is transferred or subsequent year.

Cost of long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction under section 80C of the Act for any assessment year beginning on or after 1 April, 2006.

- The Finance Act, 2016 has inserted a new section 54EE, where capital gains arising from the transfer of a long term capital asset and the assessee at any time within a period of 6 months invests the whole or any part of capital gains in the long term specified assets, shall be exempt in the hands of the assessee to the extent of the capital gains invested. The investment in the long term specified asset during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed ₹ 50 lacs.

For the purpose of section 54EE, "long term specified assets" means a unit or units issued before the 1st day of April, 2019 of such fund as may be notified by the Central Government in this behalf.

- As per the provisions of section 54F of the Act and subject to the conditions specified therein, long term capital gains (which are not exempt under section 10(38) of the Act) arising to an individual on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years after the date of such transfer.

- Losses arising on the purchase and sale of such shares which are speculative in nature shall be allowed to be set off only against the profits arising on speculative transactions alone. The unabsorbed losses, if any, shall be allowed to be carried forward for a period not exceeding four assessment years immediately succeeding the assessment year in which the loss is first computed and set off against the profits arising from the sale of such shares.

- Special provisions relating to taxation of Income from Investment and long term capital gains (other than those exempt under section 10(38) of the Act):

a. A non-resident Indian, has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special provisions relating to certain incomes of non-residents".

b. As per section 115E of the Act, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, LTCG on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.

c. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company (in cases not covered under section 10(38) of the Act) which were acquired, or purchased with or subscribed to in, convertible foreign exchange, will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months from the date of such transfer, in any specified asset (as defined in section 115C(f)) or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then this exemption would be allowable on a proportionate basis. Further, if the specified asset or saving certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

d. Section 115G of the Act provides that non-resident Indians are not obliged to file a return of income, if their only source of income is income from specified investments or long term capital gains or both arising out of specified investments acquired, purchased or subscribed in convertible foreign exchange, provided tax has been deducted there from as per the provisions of Chapter XVII-B of the Act.

e. As per section 115H of the Act, where a non-resident becomes assessable as resident in India, he may furnish to the Assessing Officer a declaration in writing along with his return of income under section 139 for that assessment year, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any specified investments for that year and any subsequent assessment years until such investments are transferred or converted into money.

f. Section 115I of the Act provides that a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of this Chapter shall not apply to him for that assessment year. In such a case, the tax on Investment income and long term capital gains shall be computed in accordance with the normal provisions of the Act.

- In terms of section 36(1) (xv) of the Act, STT paid in respect of the taxable securities transactions entered into in the course of the business by a shareholder is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profit and gains of business or profession' subject to the provisions of section 43B of the Act.

G. GENERAL TAX BENEFITS AVAILABLE TO MUTUAL FUNDS

As per section 10(23D) of the Act, subject to the provisions of chapter XII-E of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

H. GENERAL TAX BENEFITS AVAILABLE TO PROVIDENT FUND TO WHICH THE PROVIDENT FUND ACT, 1925 APPLIES

As per section 10(25) of the Act, any income by way of any capital gains arising from the sale, exchange or transfer of any shares which are held by, or are property of any provident fund to which the Provident Fund Act, 1925 applies

I. GENERAL TAX BENEFITS AVAILABLE AND IMPLICATIONS TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs')

- As per the provisions of section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after April 01, 2003) received from a domestic Company is exempt from income-tax. This is subject to the provisions of section 94(7) of the Act- avoidance of tax by certain transactions in securities to be treated as impermissible.

- However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein and rule 8D of the Income Tax Rules.

- Further, section 94(7) of the Act provides that where any person buys or acquires any shares of a company within a period of three months prior to the record date (as defined in explanation (aa) to section 94) and such person sells or transfer such shares within a period of three months after such date, the losses arising from the purchase and sale of such shares, to the extent such loss does not exceed the amount of dividend received or receivable on such shares, shall be ignored for the purposes of computing its income chargeable to tax.

- Provisions of section 10(38) of the Act provides that long term capital gains arising on transfer of equity shares of the Company would be exempt from tax, where the sale transaction is liable to securities transaction tax.

- As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:

    a. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;

    b. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place. The investment in the Long Term Specified Asset made by the shareholder on or after April 1, 2007 during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed 50 lakhs rupees.

- The Finance Act, 2016 has inserted a new section 54EE, where capital gain arising from the transfer of a long term capital asset and the assessee at any time within a period of 6 months invests the whole or any part of capital gains in the long term specified assets, shall be exempt in the hands of the assessee to the extent of the capital gains invested. The investment in the long term specified asset during the financial year in which the original asset or assets are transferred and the subsequent financial year should not exceed 50 lakhs rupees.

For the purpose of section 54EE, "long term specified assets" means a unit or units issued before the 1st day of April, 2019 of such fund as may be notified by the Central Government in this behalf.

- Under section 115 AD (1) (ii) of the Act, income by way of STCG arising to a foreign institutional investor (FII) (as defined in the explanation to section 115AD) on transfer of shares shall be chargeable at a rate of 30%, where such transactions are not subjected to STT, and at the rate of 15% if such transaction of sale is entered on a recognized stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and education cess.

- Under section 115 AD (1) (iii) of the Act, income by way of LTCG arising to a FII (as defined in the explanation to section 115AD) from the transfer of shares (in cases not covered under section 10(38) of the IT Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FIIs. As per provisions of section 196D (2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gains arising from the transfer of securities referred to in section 115AD of the Act, payable to a FII.

- As per clauses (iid) and (fb) of explanation 1 to section 115JB of the Act, capital gains arising on transactions in securities arising to a foreign company, shall be excluded from the computation of book profits liable to MAT, if the income tax payable thereon in accordance with the provisions of the Act other than the provisions of chapter XII-B of the Act is at a rate less than the rate specified in section 115JB(1) and the book profits shall be increased by the amount of expenditure corresponding to such capital gains.

- As per section 2(14) of the Act, any securities held by a FII (as defined in explanation 2(a) to section 2(14) read with clause (a) of the explanation to section 115AD) which has invested in such securities in accordance with the regulations made under Securities & Exchange Board of India Act, 1992 would be treated as a capital asset only so that any income arising from transfer of such security by a FII would be treated in the nature of capital gains.

J. GENERAL ANTI AVOIDANCE RULES – Chapter X A (across all categories of tax payers)

- Notwithstanding anything contained in the Act, an arrangement entered into by an assessee may be declared to be an impermissible avoidance arrangement (as defined in section 96(1) read with section 97) and the consequence in relation to tax arising therefrom may be determined subject to the provisions of Chapter XA, which shall apply in respect of any assessment year beginning on or after the 1st day of April, 2018. Further the provisions of chapter XA may be applied to any step in, or a part of, the arrangement as they are applicable to the arrangement. The consequences of an impermissible avoidance arrangement has been spelt out in section 98

- In terms of section of section 98, if an arrangement is declared to be an impermissible avoidance arrangement, then, the consequences, in relation to tax, of the arrangement, including denial of tax benefit or a benefit under a tax treaty, shall be determined, in such manner as is deemed appropriate, in the circumstances of the case, including by way of but not limited to the following, namely:—

  a. Disregarding, combining or re-characterizing any step in, or a part or whole of, the impermissible avoidance arrangement;

  b. Treating the impermissible avoidance arrangement as if it had not been entered into or carried out;

  c. Disregarding any accommodating party or treating any accommodating party and any other party as one and the same person;

  d. Deeming persons who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount;

  e. Reallocating amongst the parties to the arrangement—

     (i) Any accrual, or receipt, of a capital nature or revenue nature; or
     (ii) Any expenditure, deduction, relief or rebate;

  f. Treating—

     (i) The place of residence of any party to the arrangement; or
     (ii) The situs of an asset or of a transaction,

  at a place other than the place of residence, location of the asset or location of the transaction as provided under the arrangement; or

g. Considering or looking through any arrangement by disregarding any corporate structure.

Further,

(i) Any equity may be treated as debt or vice versa;
(ii) Any accrual, or receipt, of a capital nature may be treated as of revenue nature or vice versa; or
(iii) Any expenditure, deduction, relief or rebate may be re-characterized.

K. INCOME COMPUTATION AND DISCLOSURE STANDARDS (ICDS)

The Central Board of Direct Taxes has issued a notification on March 31, 2015 stating that ICDS shall be applicable from April 1, 2015 (extended to April 1, 2016 by virtue of a press release) and accordingly applies from the relevant assessment year 2017-18 and onwards.

L. THE WEALTH TAX ACT, 1957

Wealth Tax Act, 1957 has been abolished with effect from assessment year 2016-17.

NOTES:

1. The statement of tax benefits and implications enumerated above is as per the Act including amendments as set out in the Finance Act, 2016.

2. As per the Finance Act, 2016, surcharge is to be levied on individuals, HUF, AOP, body of individuals, artificial juridical person, co-operative society and local authorities at the rate of 12% if the total income exceeds ₹ 1 crore. As per the Finance Act, 2016, surcharge on income tax has been increased from 12% to 15% on tax if income exceeds ₹ 1 crore on persons other than companies, firms and co-operative societies.

3. Surcharge is levied on domestic companies at the rate of 7% where the income exceeds ₹ 1 crore but does not exceed ₹ 10 crores and at the rate of 12% where the income exceeds ₹ 10 crores.

4. Surcharge is levied on every company other than domestic company at the rate of 2% where the income exceeds ₹ 1 crore but does not exceed ₹ 10 crores and at the rate of 5% where the income exceeds ₹ 10 crores.

5. A 2% education cess and 1% secondary and higher education cess on the total income is payable by all categories of taxpayers.

6. There are obligations to file a return of income under section 139 of the Act (a) by every company /firm or (b) any other person if his total income exceeds the maximum amount which is not chargeable to tax.

7. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident is considered resident in terms of such Tax Treaty. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

As per section 90(4) of the Act, an assessee being a non-resident, shall not be entitled to claim relief under section 90(2) of the Act, unless a certificate of his resident in any country outside India, is obtained by him from the government of that country or any specified territory.
As per section 90(5) of the Act, the nonresident shall be required to provide such other information, as has been notified.

Notwithstanding anything contained in section 90(2) above, the provisions of chapter X-A of the Act, shall apply to the non-resident investors, even if such provisions are not beneficial to him.

Availability of tax credit for the appropriate share of dividend distribution tax paid by the domestic company on dividends declared in the hands of the non-resident investor in his country of residence will depend on the laws of his/its country.

8. There is an obligation to deduct tax at source on every person responsible for paying to a non-resident any sums chargeable under the provisions of the Act, in terms of section 195 of the Act, either at the time of credit of such income to the credit of the non-resident or at the time of payment, whichever is earlier, at the rates in force. Such tax shall be paid to the Central Government within the time prescribed. There are also obligations to file returns of tax deducted at source on the payer.

9. The Organization for Economic Cooperation and Development (OECD) have released final reports on the Base Erosion and Profit Shifting (BEPS) Action Plan. This OECD initiative is endorsed by the G20 countries to usher in standardization in global tax rules. As a member of the G20 and an active participant of the BEPS project, Indian legislature has been keen on effective implementation of BEPS Action Plan. It is likely that various recommendations in the BEPS Action Plans may be implemented through amendments to the Indian domestic tax law or India tax treaties. Introduction of equalization levy is one such measure. The BEPS Action Plan, being at the initial stages of implementation, it is difficult to fathom or outline the impact of BEPS Action Plans on Indian taxation.

10. The above statement of possible direct tax benefits and implications sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

11. This statement is intended only to provide general information to the investors and is neither designed nor intended to be substituted for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

12. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

Above are the possible tax benefits available and implications to the Company and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions. The benefits and obligations discussed above are not exhaustive. This statement is only intended to provide general information to the shareholders and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor/shareholder/the Company is advised to consult his, her or its own tax consultant with respect to the specific tax implications arising out of their participation in the issue particularly in view of the fact that our interpretation of the provisions will not have a direct binding legal precedent or may have a different interpretation on the benefits and implications.

LEGAL PROCEEDINGS

Our Company is involved in various legal proceedings, which involve matters pertaining to, amongst others, tax, civil and other disputes. Except as described below, we are not involved in any legal proceedings, and, which if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations.

A summary of certain legal proceedings pending against us where the amount involved exceeds ₹ 25 lacs and certain other litigations we consider material is set forth below:

I. Litigations against our Company

Civil Cases

1. Proceedings against our Company and its executives by enforcement department for violation of provisions of Foreign Exchange Regulation Act, 1973

A search and seizure was conducted on the premises of our Company on December 9, 1985 by enforcement department for alleged violation of the provisions of the Foreign Exchange Regulation Act, 1973 ("**FERA**"). Based on the investigation conducted and scrutiny of the documents, the Special Director of Enforcement, New Delhi issued five show cause notices ("**SCNs**") to our Company and its executives including our Executive Chairman, Vijay Kirloskar ("**Noticees**") as to why adjudication proceeding as contemplated under Section 51 of the FERA be not initiated. Pursuant to the SCNs, the Assistant Director, Enforcement Directorate, New Delhi issued an Order in Original No. AD/1 – 5 /BZ/BAN/204 FERA dated December 27, 2004 ("**Adjudication Orders**") confirming the allegations made out under SCNs and imposed penalties upon our Company and its executives for violation of provisions of FERA in relation to remittance of funds by our Company for export of its products to Indo Malaysia Engineering Company, Malaysia. Being aggrieved by the Adjudication Orders, Noticees preferred appeal nos. 281 to 288 of 2005 before the Appellate Tribunal for Foreign Exchange, New Delhi ("**Appellate Tribunal**"). Further Appellate Tribunal vide its order dated February 20, 2008, quashed the Adjudication Orders and remanded back all matters for fresh adjudication. Post fresh adjudication of the matters, the Assistant Director, Enforcement Directorate, Bangaluru issued an Order in Original No. AD/BZO/01/FERA/2012-13 dated April 29, 2013 and imposed total penalties of ₹ 94.39 lacs upon the Noticees for violation of provisions of FERA. The Noticees being aggrieved by the abovementioned order dated April 29, 2013 filed appeal no. 36 to 40/2013 before the Appellate Tribunal. The Noticees have also filed stay applications before the Appellate Tribunal to grant waiver/ dispensation with the pre-deposit of whole of the penalties imposed by the Assistant Director, Enforcement Directorate, New Delhi. All the appeals are currently pending.

2. Special Civil no. 1314 of 2015 filed by Jitendra Singh Gadhoke against our Company, ACE Engineers and Vikram Electricals before the Civil Judge Senior Division, Pune

Jitendra Singh Gadhokehas filed a special civil suit bearing no. 1314 of 2015 before the court of Civil Judge Senior Division Pune, against our Company. ACE Engineers and Vikram Electricals. The plaintiff has alleged that he had purchased the diesel generator set on December 10, 2012 which completely shut down on April 7, 2014. Therefore, the plaintiff, leveling various allegations, filed this suit against our Company and made a claim of ₹ 26.28 lacs including interest. The matter is currently pending.

3. Company Petition 250 of 2014 filed by KRYFS Power Components Limited against our Company before the High Court of Karnataka at Bengaluru

KRYFS Power Components Limited (the "Petitioner") has filed a Company Petition no. 250 of 2014 before the High Court of Karnataka at Bengaluru against our Company (the "**Respondent**") for winding up alleging default on unpaid bills. Therefore, the suit has been filed claiming an aggregate sum of ₹ 188.31 lacs inclusive of interest. The Petitioner has alleged that ₹ 168.33 lacs is due on the Respondent towards 12 commercial invoices in respect of eight (8) purchase orders made periodically from May 2, 2011 to May 23, 2013. The matter is currently pending.

4. Original Suit 5926 of 2014 filed by Poornima Vadiraj, proprietor Apoorva Tours and Travels ("Plaintiff") against our Company and Others (" Defendants") before the City Civil Judge, Bengaluru

The Plaintiff had filed an Original Suit No. 5926/2015 against the Defendants before the City Civil Judge, Bengaluru. The Plaintiff has alleged that they had provided vehicles to our Company for transportation. The Plaintiff had raised bills amounting to ₹ 85.20 lacs for the transport services for which the Plaintiff had issued a cheque of ₹ 10 lacs as a part payment. It was alleged that the cheque was dishonored due to payment stopped by drawer. Thus, the Plaintiff filed a suit for recovery of total dues against our Company for ₹ 115.67 lacs along with the interest at 24% per annum till the date of realization. The matter is currently pending.

5. Case No. 34/ 2015 filed by M/s SP Tech ("Complainant") against our Company ("Respondent") before the Commissioner, Micro and Small Enterprises Facilitation Council, Bengaluru

The Complainant has filed the present case against the Respondent for recovery of Principal amount of ₹ 28.05 lacs together with interest of ₹ 17.87 lacs for delayed period. The Respondent had placed various types of purchase orders for supply of fabrication from July 19, 2012 to May 14, 2014 with the Complainant. Subsequently the Complainant raised invoices amounting to ₹ 28.05 lacs. Due to delay, the Complainant filed the present case. The matter is currently pending before Commissioner, Micro and Small Enterprises Facilitation Council, Bengaluru.

6. Civil Suit No. 464/ 2011 filed by S.L.O. Industries Limited ("Petitioner") against our Company ("Respondent") before High Court of Judicature at Madras

The Respondent had supplied certain motors to the Petitioner which was alleged to have burnt due to manufacturing defect. Thereafter, the Petitioner filed a suit against the Respondent before the City Civil Court, Chennai for replacement of the burnt motors from the Respondent and claimed for compensation of ₹ 30 lacs. The City Civil Court *vide* its judgement dated December 12, 2014 held that the Petitioner was not entitled to get any compensation. Aggrieved by the decision of the City Civil Court, the Petitioner then filed the present civil suit which is currently pending.

7. Original Suit No. 25591/2015 filed by M/s. Patel Timbers against our Company before the IV Additional City Civil and Sessions Judge, Bengaluru

M/s. Patel Timbers ("**Plaintiff**") had supplied certain material to our Company based on the purchase orders made by our Company for the year 2013 – 2014. The Plaintiff raised invoices amounting to ₹ 33.17 lacs against the invoices. However, the Plaintiff alleged that our Company did not pay the outstanding amount and hence filed the present suit for recovery of sum of ₹ 33.17 lacs along with ₹ 7.17 lacs, interest at the rate of 24% per annum from December 11, 2013 till the date of filing of the suit. The Additional City Civil Judge and Sessions Judge, Bengaluru passed an ex-parte judgment on June 7, 2016 directing the Plaintiff to recover the sum of ₹ 40.35 lacs along with the future interest at the rate of 10% per annum from our Company. Our Company has initiated the process of filing an appeal against the order of the IV Additional City Civil and Sessions Judge, Bengaluru.

8. Application filed by M/s. Sujay Industries against our Company before the Joint Director, Micro and Small Enterprises Facilitation Council, Mysore

Our Company has received a notice from the Joint Director, Micro and Small Enterprises Facilitation Council, Mysore under the provisions of the Micro, Small & Medium Enterprises Development Act, 2006 pursuant to an application dated July 20, 2016 received from M/s. Sujay Industries ("**Complainant**"). The Complainant has filed an application dated July 20, 2016 before the Joint Director, Micro and Small Enterprises Facilitation Council, Mysore stated that the Complainant had supplied sheet metal fabricated items and procession machine components to our Company and claiming ₹ 22.35 lacs as principal outstanding dues and interest of ₹ 10.03 lacs for the delayed period as per the statement of bills and invoices. The Joint Director, Micro and Small Enterprises Facilitation Council, Mysore has directed our Company either to make payment or file the written objection to the Claim of the Complainant within 15 days of receipt of the notice. The notice is currently pending before our Company.

II. Litigations by our Company

Criminal Cases

1. Criminal Revision Petition 2/2016 filed by our Company ("Petitioner") against Poornima Vadhiraj, proprietor Apoorva Tours and Travels ("Respondent"), before the Court of Principle Sessions Judge at Bengaluru

Poornima Vadhiraj, proprietor Apoorva Tours and Travels filed a Criminal Complaint No. 17723/2015 against our Company under section 138 and 142 of the Negotiable Instruments Act, 1881 before the Court of XIII Additional Chief Metropolitan Magistrate at Bengaluru ("ACMM"). The criminal complaint was filed for dishonor of cheque of ₹ 10 lacs on account of insufficient funds. The Respondent had raised bills amounting to ₹ 85.20 lacs for the transport services provided to our Company against which our Company had issued a cheque of ₹ 10 lacs as a part payment. Further, the Court of ACMM took cognizance against the Petitioner on July 23, 2015. Being aggrieved by this action of ACMM, the Petitioner has filed the present revision petition which is currently pending.

2. Criminal Complaints filed by our Company against various customers

Our Company has filed twelve (12) criminal complaints amounting to approximately ₹ 217.66 lacs against various customers under section 138 of the Negotiable Instruments Act, 1881 for dishonor of cheques on account of insufficient funds. These cheques were issued by the customers to our Company for sale our Company's products.

Civil Cases

1. Suit No. 3215 / 2001 filed by our Company ("Plaintiff") against Deutsche Bank AG ("Defendant") before the Additional City Civil Judge, Bengaluru

The Plaintiff had availed certain credit facilities from the Defendant along with the other lenders and the Defendant was member of consortium of bankers along with other lenders including ICICI Bank, Bank of India, HSBC Limited, State Bank of Travancore, Bank of Baroda, State Bank of Mysore, State Bank of India, Indian Bank Limited. The Plaintiff had also entered into a cash management service agreement dated February 25, 1999 with the Defendant for collection of cheques and other negotiable instruments on behalf of the Petitioner all over the country. Pursuant to the terms of the cash management service agreement, the Defendant could terminate the cash management service agreement by giving one month notice to the Plaintiff. The Plaintiff claimed that on April 28, 2000, the Defendant withdrew from the consortium and illegally appropriated all the funds available with bank towards their dues and margin monies, therefore the Plaintiff could not service its term loans and interest to banks and financial institutions. As a result, all other accounts of consortium bankers became overdue and all other members of consortium refused to operate the accounts and arrested the operation of non-fund limits such as letter of credits, bank guarantees and the Plaintiff had loss of ₹ 5,954.27 lacs approximately. The Plaintiff also claimed that that the Defendant demanded 100% cash margin on the credit facility and 50% cash margin on the bank guarantee. Aggrieved by the action of the Defendant, the Plaintiff filed the present suit claiming an amount of ₹ 5,954.27 lacs approximately which is currently pending.

2. Revision Application 113/2014 filed by the Company ("Applicant") against IDBI Bank Limited and Kirloskar Investments and Finance Limited ("Respondents") before the Debt Recovery Appellate Tribunal, Chennai

The United Western Bank Limited, which merged with IDBI Bank Limited ("**Respondent 1**"), had subscribed to 2,00,000 redeemable cumulative preference shares ("RCPS") of face value of ₹ 100 each amounting to ₹ 200 lacs, redeemable on or before November 26, 2002 along with dividend rate at 15% per annum, issued by Kirloskar Investments and Finance Limited ("**KIFL**"). The Applicant had provided corporate guarantee for the redemption of the RCPS issued *vide* the letter of guarantee dated November 20, 1997. However, due to heavy losses suffered by KIFL, they could not pay any dividend to the Respondent 1. Subsequently, the Respondent 1 invoked the guarantee given by the Applicant by filing recovery suit against the Applicant before the Debt Recovery Tribunal, Bengaluru ("**DRT**"). The DRT passed an order against the Applicant and aggrieved by the aforesaid order, the Applicant filed a revision application before DRT which was also dismissed.

Further, the Applicant filed an appeal against the order of the DRT before the Debt Recovery Appellate Tribunal, Chennai ("**Tribunal**") which was dismissed on September 3, 2015 for default due to non-representation of counsel. Further, the Applicant has filed an interim application 820/2015 in Revision Application 113/2014 before the Tribunal to change the vakalathnama in favour of KSR & Co Company Secretaries LLP and restore the Revision Application 113/2014. The Tribunal *vide* its order dated November 3, 2015 allowed the interim application and accepted the

vakalathnama in favour of KSR & Co Company Secretaries LLP. The Revision Application 113/2014 is currently pending before the Tribunal.

3. Company Appeal No. 24 / 2005 filed by Kirloskar Proprietary Limited and others ("Petitioners") against our Company and others ("Respondents") before High Court of Judicature at Mumbai

Kirloskar Proprietary Limited ("KPL") was incorporated with an object to protect the trademark 'Kirloskar' and trade name and logo 'Kirloskar' and prevent the misuse or dilution of the Trademark. The Trademark was registered in the name of Kirloskar Electric Company Limited ("KECL") and vide an assignment agreement dated December 31, 1971, KECL assigned the trademark 'Kirloskar' bearing number 259609, 259610, 259611 and 259612 in favour of KPL. Further, on October 5, 1973, KPL entered into a user agreement with KECL and allowed KECL to use trademark 'Kirloskar' bearing number 259609, 259610, 259611 and 259612. Subsequently, in January 2001, KPL pursuant to a decision of its board of directors decided to withdraw the permission for usage of Trademark granted to the Respondent. Aggrieved by the notice of termination issued by KPL, the Respondents filed a Company Petition No. 88 of 2003 ("Petition") before the Company Law Board, Mumbai under sections 397-399 and 402-403 of the Companies Act, 1956. Further, KPL has also filed a civil suit bearing no. 8 of 2003 before the City Civil Court, Pune seeking an injunction against KECL from using the Trademark and for recovery of dues which is allegedly pending towards use of trade name and logo 'Kirloskar'. The Company Law Board, Mumbai *vide* an order dated May 12, 2005 admitted the Petition and directed the deed of assignment granting the user to KECL to be in perpetuity and modify the user agreement dated October 5, 1973to nullify the termination clause. Being aggrieved by the order of the Company Law Board, the Petitioners then filed the present appeal which is currently pending.

III. Tax Related Proceedings

Income Tax

There are 6 income tax matters amounting to ₹ 1,359.14 lacs approximately, involving our Company, pending at various levels of adjudication.

Central Excise and Service Tax

There are twenty one (21) central excise tax matters amounting to ₹ 260.82 lacs approximately, involving our Company, pending at various levels of adjudication.

Sales Tax and Value Added Tax

There are twenty nine (29) sales tax and value added tax matters amounting to ₹ 5,143.48 lacs approximately, involving our Company, pending at various levels of adjudication.

IV. Potential Litigation

Our Company has issued three (3) legal notices to the customers for dishonor of cheques amounting to ₹ 31.02 lacs under section 138 of the Negotiable Instruments Act, 1881 on account of insufficient funds. These cheques were issued by the customers to our Company for the payment of various products purchased by these customers.

V. Details of Past Penalties imposed on the Company

There are no fines or penalties imposed by any Ministry or Department of the Government or a statutory authority against our Company during the last three years immediately preceding the year of this Preliminary Placement Document.

VI. Litigation Involving our Promoters

There are no litigations or legal actions pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoters of our Company during the last three years immediately preceding the year of this Preliminary Placement Document.

VII. Proceedings under the Companies Act

Our Company has received a notice bearing number ROCB/ROC – STA/Complaint/PS/2015 dated August 5, 2016 from the Registrar of Companies, Karnataka pursuant to an investor complaint received from Makarchand Achyut Deshpande, Pune ("Complainant") alleging nonpayment of the fixed deposit even after the deposit matured on March 22, 2016. The Registrar of Companies, Karnataka has directed our Company to reply the notice on the allegation made by the Complainant with documentary proof within 10 days of the receipt of the notice failing which action as contemplated under the Companies Act, 2013 will be initiated against our Company and its Directors. The notice is currently pending before our Company.

Except as mentioned above, there has been no inquiry, inspection or investigation initiated or conducted against our Company under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this Preliminary Placement Document. Further, there have not been any prosecutions filed (whether pending or not), compounding of offences under the Companies Act, 2013 or any previous company law, in the last three years immediately preceding the year of circulation of this Preliminary Placement Document with respect to the Company.

VIII. Material Frauds against the Company

There have been no material frauds committed against the Company in the last three years.

INDEPENDENT AUDITORS

Our Company's current statutory auditors, M/s. B K Ramadhyani & Co. LLP, Chartered Accountants, are independent auditors with respect to our Company as required by the Companies Act and in accordance with the guidelines issued by the Institute of Chartered Accountants of India. Further, reports of M/s. B K Ramadhyani & Co. LLP, Chartered Accountants, on audited financial statements as of and for the years ended March 31, 2016, 2015 and 2014 and the unaudited standalone financial results as of and for the three months ended June 30, 2016 have been included in this Preliminary Placement Document. Please see the section, *"**Financial Statements**"* beginning on page 205.

GENERAL INFORMATION

1. Our Company was incorporated as '*Kirloskar Electric Company Limited*' a public limited company under the provisions of Mysore Companies Act, 1938 pursuant to Certificate of Incorporation dated July 26, 1946 issued by the Registrar of Joint Stock Companies, Karnataka. Our Company received its certificate for commencement of business on January 22, 1947 issued by the Registrar of Joint Stock Companies, Karnataka. Our corporate identity number is L31100KA1946PLC000415.

2. As of the date of this Preliminary Placement Document, our authorized capital is ₹ 11,500 Lacs divided into (a) 850 Lacs Equity Shares of ₹ 10 each and (b) 30 Lacs Preference Shares of ₹ 100 each and the subscribed and paid-up Equity Share Capital of the Company is 5,57,33,723 Equity Shares of ₹ 10 each and outstanding preference share capital of the Company is 8,18,405 Preference Shares of ₹ 100 each.

3. Our Registered Office is located at Industrial Suburb, Rajajinagar, Bengaluru – 560 010, Karnataka, India.

4. Under our Memorandum of Association, our principal objects are to carry out the business described in the section "***Business***" beginning on page 108. The objects are set out in Clause III of our Memorandum of Association.

5. The Issue was authorized and approved by our Board of Directors by resolutions dated May 18, 2016 and approved by our shareholders, pursuant to a resolution passed at the EGM held on June 24, 2016.

6. Our Company has received in-principle approvals under Regulation 28(1) of the Listing Regulations for the issue of the Equity Shares from the BSE and the NSE. We will apply for final approvals to list our Equity Shares to be issued in the Issue on the BSE and the NSE.

7. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 11.00 a.m. to 3.00 p.m. (except Saturdays and public holidays) during the offering period at our Registered Office.

8. Other than as set forth in this Preliminary Placement Document, there has been no significant change in our financial results since March 31, 2016, the date of our last audited financial statements prepared in accordance with Indian GAAP and the Companies Act included herein.

9. Except as disclosed in this Preliminary Placement Document, we are not involved in any material legal proceedings and we are not aware of any threatened legal proceedings, which, if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations.

10. The Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.

11. M/s. B K Ramadhyani & Co. LLP, Chartered Accountants have audited our financial statements as of and for the years ended, March 31, 2016, March 31, 2015 and March 31, 2014 and unaudited standalone financial results as of and for three months ended June 30, 2016 are the independent auditors with respect to our Company in accordance with the guidelines issued by the ICAI and have provided their consent for inclusion of their reports in relation thereto in this Preliminary Placement Document.

12. We confirm that we are in compliance with minimum public shareholding requirements as specified under the SCRR and as required under the Listing Regulations.

13. Our Company and the BRLM accept no responsibility for statements made otherwise than in this Preliminary Placement Document and anyone placing reliance on any other source of information, including our website www.kirloskar-electric.com, would be doing so at his or her own risk.

14. The Floor Price for the Issue is ₹ 48.56 per Equity Share calculated in accordance with Regulation 85 of the ICDR Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the ICDR Regulations.

FINANCIAL STATEMENTS

INDEX

Sr. No.	Contents	Page No.
1.	Unaudited standalone financial results as of and for three months ended June 30, 2016	F – 1
2.	Auditor's Report and Financial Statements for the years ended March 31, 2016	F – 6
3.	Auditor's Report and Financial Statements for the years ended March 31, 2015	F – 87
4.	Auditor's Report and Financial Statements for the years ended March 31, 2014	F – 167

KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE
CIN:L31100KA1946PLC000415
Regd Office: Industrial Suburb, Rajajinagar, Bangalore - 560 010.
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2016

(Rs.in Lakhs)

Sl No	Particulars	Standalone			
		Quarter ended			Year ended
		Current Three months ended 30/06/2016	*Preceding Three months ended 31/03/2016*	*Previous year corresponding Three months ended 30/06/2015*	*Previous year ended 31/03/2016*
		Unaudited	Audited	Unaudited	Audited
1	**INCOME FROM OPERATIONS:**				
a.	Net sales/ income from operations (net of excise duty)	14,920	16,991	12,694	54,775
b.	Other operating income	-	-	-	-
	Total income from operations (net)	**14,920**	**16,991**	**12,694**	**54,775**
2	**Expenses**				
a	Cost of materials consumed	11,383	11,973	9,691	40,597
b	Change in inventories of finished goods, work in progress and stock in trade	(419)	456	25	355
c	Employee benefit expense	1,737	1,423	2,067	7,517
d	Depreciation and amortisation expense	277	312	263	1,101
e	Other expenses	1,551	1,680	1,479	6,641
	Total expenses	**14,529**	**15,844**	**13,525**	**56,211**
3	**Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)**	**391**	**1,147**	**(831)**	**(1,436)**
4	Other income	710	209	69	354
5	**Profit / (loss) from ordinary activities before finance cost and exceptional items (3+4)**	**1,101**	**1,356**	**(762)**	**(1,082)**
6	Finance costs	950	1,061	1,023	4,186
7	**Profit / (loss) from ordinary activities after finance cost but before exceptional items (5-6)**	**151**	**295**	**(1,785)**	**(5,268)**
8	Exceptional items (net)	-	-	-	-
9	**Profit / (loss) from ordinary activities before tax (7- 8)**	**151**	**295**	**(1,785)**	**(5,268)**
10	Tax expense	-	-	-	-
11	**Net profit / (loss) from ordinary activities after tax (9-10)**	**151**	**295**	**(1,785)**	**(5,268)**
12	Extraordinary Item (net of tax expense)	-	-	-	2,155
13	**Net profit / (loss) for the period (11+12)**	**151**	**295**	**(1,785)**	**(3,113)**
14	Paid up equity share capital (face value of Rs.10/-)	5,573	5,573	5,318	5,573
15	Reserves excluding revaluation reserves as per balance sheet of previous accounting year	NA	NA	NA	NA
16	**Earnings per share (EPS) (Rs)**				
a	Basic EPS before extra ordinary items (not annualised)	0.27	0.54	(3.36)	(9.84)
b	Diluted EPS before extra ordinary items (not annualised)	0.26	0.51	(3.36)	(9.84)
c	Basic EPS after extra ordinary items (not annualised)	0.27	0.54	(3.36)	(5.82)
b	Diluted EPS after extra ordinary items (not annualised)	0.26	0.51	(3.36)	(5.82)

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

B.K.RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

Revenues, results, assets, liabilities and capital employed for the segments for the quarter ended June 30, 2016

Sl No	Particulars	Standalone			
		Quarter ended			Year ended
		Current Three months ended 30/06/2016	*Preceding Three months ended 31/03/2016*	*Previous year corresponding Three months ended 30/06/2015*	*Previous year ended 31/03/2016*
		Unaudited	Unaudited	Unaudited	Audited
1	**Segment Revenues**				
	Power generation/ distribution	9,001	8,926	5,852	25,141
	Rotating machines	6,147	7,935	6,674	29,093
	Others	444	838	452	2,875
	Total	**15,592**	**17,699**	**12,978**	**57,109**
	Less: Inter segment revenues	672	708	284	2,334
	Net sales / income from operations	**14,920**	**16,991**	**12,694**	**54,775**
2	**Segment Results**				
	Profit / (loss) before interest, depreciation and tax expense				
	Power generation/ distribution	785	793	199	959
	Rotating machines	353	720	20	1,068
	Others	197	314	8	782
	Total	**1,335**	**1,827**	**227**	**2,809**
	Less: Interest	950	1,061	1,023	4,186
	Less: Other unallocable expenditure (net off unallocable Income)	234	471	989	3,891
	Total profit /(loss) before tax expense	**151**	**295**	**(1,785)**	**(5,268)**
	Add: Extraordinary item	-	-	-	2,155
	Total profit / (loss) before tax expense and after extraordinary item	**151**	**295**	**(1,785)**	**(3,113)**
3	**Segment Assets**				
	Power generation/ distribution	13,211	12,833	10,606	12,833
	Rotating machines	19,104	18,967	20,097	18,967
	Others	418	573	470	573
	Total	**32,733**	**32,373**	**31,174**	**32,373**
	Add Unallocable Assets	24,246	25,860	26,693	25,860
	Total Segment Assets	**56,979**	**58,233**	**57,867**	**58,233**
4	**Segment Liabilities**				
	Power generation/ distribution	12,281	12,132	9,593	12,132
	Rotating machines	10,771	10,933	10,720	10,933
	Others	685	740	859	740
	Total	**23,737**	**23,805**	**21,173**	**23,805**
	Add Unallocable Liabilities	31,379	32,717	33,655	32,717
	Total Segment Liabilities	**55,116**	**56,522**	**54,827**	**56,522**
5	**Capital Employed (Segment Assets-Segment Liabilities) (Recasted)**				
	Power generation/ distribution	930	701	1,013	701
	Rotating machines	8,333	8,034	9,377	8,034
	Others	(267)	(167)	(389)	(167)
	Total capital employed in segments	8,996	8,568	10,001	8,568
	Add: Unallocated	(7,133)	(6,857)	(6,962)	(6,857)
	Total capital employed	**1,863**	**1,711**	**3,039**	**1,711**

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

BSK RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

Notes:

1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on August 12, 2016.

2 The unaudited financial results of the Company for the quarter ended June 30, 2016 have been subject to limited review by its statutory auditors.

3 Other Income for the quarter ended June 30, 2016 includes Rs.680.20 lakhs (for the year ended 31 March , 2016 Rs.149.39 Lakhs) pertaining to liabilities / provision no longer required written back.

4 The Company, in an earlier year, had revalued a portion of its land, thereby recognising a revaluation reserve of Rs 208 lakhs. In terms of revised Accounting Standard (AS) 10 (Property, Plant and Equipment) in the Companies (Accounting Standards) Amendment Rules, 2016, issued by the Ministry of Corporate Affairs, Government of India and efective for the financial statements prepared on or after April 1, 2016, the Company is yet to exercise the option of 'Cost Model' / 'Revaluation Model'. Pending such decision, total segment assets and capital employed furnished above include the revaluation surplus so recognised earlier. However this has no impact on the net profit for the quarter ended June 30, 2016.

5 As a measure of restructuring and with the consent of the lending banks under the Joint Lender Forum (JLF) mechanism, the Company had transferred in the year ended March 31, 2015 certain assets comprising of immovable properties, receivables and inventory to its subsidiaries Kelbuzz Trading Private Limited, SKG Terra Promenade Private Limited and SLPKG Estate Holdings Private Limited, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts (bank dues) transferred by the Company. The amounts outstanding and due from the said subsidiaries as at June 30, 2016 in respect of the transfer of the assets as mentioned above and other expenses incurred by the subsidiaries reimbursed by the Company totally amount to Rs 14,773.29 lakhs (as at March 31, 2016 Rs 14,950.73 Lakhs). These subsidiaries are taking active steps to repay the dues of the Company, from collection of debts (receivables) assigned and from disposal of immovable properties / inventories transferred apart from debts (bank dues) transferred / to be transfered as referred above. These subsidiaries have been sanctioned credit facilities to an aggregate extent of Rs. 500 lakhs (net of amounts drawn). The board of directors of the Company are confident of realisation of the entire amounts due from the said subsidiaries as realisation from the sale of immovable properties / inventories by the subsidiaries is expected to be higher than the transfer value.

6 The net worth of the group in terms of the consolidated financial statements as at March 31, 2016 consisting of the Company, its subsidiaries and its associate is eroded and the Company had made net loss for the year ended March 31, 2016. The Company and its components have initiated several measures like active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operations, introduction of value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. The Company has made profits for the quarter ended March 31, 2016 and 30 June 2016 and loss has been substantially reduced. Accordingly, your directors have prepared these financial results of the Company on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

7 The Company has filed before the honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the parent company) and confirmed by the honourable High Court of Karnataka. This SLP has been admitted by the honorable Supreme Court. Hence the Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favourable, that losses are not probable and no provision is required to be recognized in this respect.

8 Reserves have been reported as NA as the Company has a negative reserves and surplus.

9 Previous period/year figures have been regrouped wherever necessary to confirm with current period presentation.

Place: Bangalore
Date: August 12, 2016

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

(Vijay R Kirloskar)
Executive Chairman

P.V. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

LIMITED REVIEW REPORT

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

1. We have reviewed the accompanying statement of unaudited quarterly financial results of Kirloskar Electric Company Limited ("the Company") for the quarter ended June 30, 2016 ("the Statement"), being submitted by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

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

3. **Basis of Qualified opinion:**

Attention of the members is invited to foot note 5 to the Statement regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immovcable properties, receivables and expenses reimbursed. We have relied on management's representations that it is confident of realization of amounts due from the said subsidiaries aggregating to Rs 14,773.29 lakhs (as at March 31, 2016 Rs 14,950.73 Lakhs). Shortfall in realization of the amount outstanding, if any, could not be ascertained.

4. Based on our review conducted as above except in respect of matters stated in the paragraph on "Basis of Qualified Opinion" and read with foot note 4 to the Statement, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Companies (Accounting Standard) Rules, 2006 as amended which continues to apply as per section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of Regulation 33 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Emphasis of matter:

Without qualifying our opinion we invite the attention of the members to:

(a) Foot note 6 of the Statement, where in the directors have detailed the reasons for compiling the Statement on a going concern basis, though the net worth of the group, consisting of the Company, its subsidiaries and associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management.

(b) Foot note 7 to the Statement, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no provision is required to be recognized in this regard. We have relied on this representation.

A copy of the Statement of the Company for the period under review, which formed the basis of our limited review, duly initialled by us for the purpose of identification is enclosed to this report.

For B K Ramadhyani & Co LLP
Chartered Accountants
Firm Registration No: 002878S/S200021

Vasuki. H.S.

(Vasuki H S)
Partner
Membership No. 212013

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15TH Cross,Malleswaram,
BANGALORE - 560 055.

Place: Bangalore
Date: August 12, 2016

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

Report on the Standalone Financial Statements:

We have audited the accompanying standalone financial statements of Kirloskar Electric Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement, and a summary of significant accounting policies and other explanatory information for the year then ended, in which are incorporated the financial statements audited by the branch auditors M/s Sundar & Associates, Chartered Accountants of the Kuala Lumpur office of the Company in Malaysia.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the 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 the 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 financial control relevant to the Company's preparation of the financial

B K RAMASWAMI & CO. LLP Chartered Accountants BANGALORE

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 qualified audit opinion on the standalone financial statements.

Basis for Qualified Opinion:

Attention of the members is invited to note 52 of the financial statements, regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/assignment of certain immoveable properties and receivables. We have relied on management's representations that it is confident of realization of amounts due from the said subsidiaries aggregating to Rs 14,950.73 lakhs (previous year Rs 18,452.51 Lakhs). Shortfall in realization of consideration receivable, if any, could not be ascertained.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements/information of one branch, the Kuala Lumpur office of the Company, included in the standalone financial statements of the Company whose financial statements reflect total assets of Rs 224.47 lakhs as at 31st March, 2016 and total revenues of Rs 0.69 lakhs for the year ended on that date, as considered in the standalone financial statements. The financial statements of the said office have been audited by the branch auditors (M/s Sundar & Associates, Chartered Accountants) whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Emphasis of Matter:

(a) Attention of the members is invited to note 53 of the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, though the net worth of the group, consisting of the Company, its subsidiaries and associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 54 of the financial statements which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no provision is required to be recognized in this regard. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. As required by the section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

   c. The report on the accounts of the Kuala Lumpur office in Malaysia of the Company audited under Section 143 (8) of the Act by branch auditors have been forwarded to us and have been duly dealt with by us while preparing this 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 and with the returns received from the branches not visited by us.

   e. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   f. On the basis of the written representations received from the directors as on March 31, 2016 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

B K RAMADHYANI & CO. LLP * Chartered Accountants * BANGALORE-56

g. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

h. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

i The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 to the financial statements;

ii The Company did not have any long-term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognised in respect of material foreseeable losses under applicable laws or accounting standards.

iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

Vasuki. H.S.

VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016
Place: Bangalore

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15TH Cross,Malleswaram,
BANGALORE - 560 055.

ANNEXURE REFERRED TO IN PARAGRAPH 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. Fixed Assets are physically verified by the management during the year 2014-15. Management has informed us that its programme of verification of Fixed Assets envisages verification over three years which in our opinion is reasonable. No material discrepancies were observed during such verification which were already adjusted in the preceding year.

   c. According to the information and explanation given to us and as represented to us by the company, the title deeds of immoveable properties are held in the name of the Company except in respect of the following:

Rs. in Lakhs

Sl. No	Land / Building	Whether Leasehold / Freehold	Book Value (as at March 31, 2016)	Remarks, if any
1.	Land at Govenahalli	Leasehold Land	68.70	The title deeds are in the name of Kaytee Switchgear Limited erstwhile subsidiary of the Company (refer note 35(c) of the Financial Statements
2.	Land at Hubli	Freehold Land	369.09	
3.	Land at Tumkur	Freehold Land	30.14	

2. The Company has a program of physical verification of inventory which is conducted at reasonable intervals by the management. Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical verification taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis as reported in note 39 of the financial statements. Consequently we are not in a position to comment on the extent of discrepancies and any further adjustments required in the books of account.

3. The Company has not granted any loans to companies, firms, Limited liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. 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. In our opinion and according to the information and explanations given to us, the company has not granted any loans or provided any guarantees or security to the parties covered under section 185 of the Act, except guarantee on behalf of a wholly owned subsidiary of the Company where the provisions of section 185 of the Act does not apply by virtue of Rule 10 of the Companies (Meetings of Board and its Powers) Rules, 2014. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 186 of the Companies Act, 2013 to the extent applicable in respect of investments made or guarantees given to the wholly owned subsidiaries covered under section 186 of the Act (refer note 49 of the financial statements). There were no loans given nor securities provided to wholly owned subsidiaries covered under section 186 of the Act.

5. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 of the Companies Act, 2013 or any other relevant provisions of the said Act and the rules framed there under, 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.

6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and read with paragraph 2 above regarding inventory records, we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

7. a. There have been delays in depositing undisputed statutory dues during the year. Delays ranged up to 3 months in respect of provident fund, up to 2 months in the case of income tax deducted at source and excise duty, and up to 1 month in Employees' State Insurance and service tax. According to the information and explanations given to us, there were no undisputed amounts payable in respect of above mentioned statutory dues which were in arrears, as at March 31, 2016 for a period of more than six months from the date they became payable except in respect of arrears of water charges due to revision in rates for the period relating from August 2011 to March 2015 payable to Karnataka Water Board, Hubballi Division amounting to Rs 38.13 lakhs.

   b. According to the information and explanations given to us, the following dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, Value Added Tax, Service Tax and Cess had not been deposited as at March 31, 2016 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	229.07	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	49.59	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 and September 2007	Central Excise and Service Tax Appellate Tribunal
	Cenvat availment	89.33	January 2008 to April 2010, October 2008 to April 2010, September 2010 to March 2011	Commissioner of Central Excise (Appeals)
The Customs Act, 1962.	Customs demand	10.53	1994 to 1999	Asst. Commissioner of Customs
The Income Tax Act, 1961	Income tax demand	25.19	Assessment Year 2010 – 2011	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	174.13	Assessment Year 2012 – 2013	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	1,159.82	Assessment Year 2013 – 2014	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
The Central Sales Tax Act, 1956 & The Bombay Sales Tax Act, 1959	Sales tax demand	1,344.12	1999 – 2000, 2005-2006, 2007-2008 and 2008-2009	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & Maharastra Value Added Tax Act, 2002	Sales tax demand	3,196.41	2010-11	The President, Maharashtra Sales Tax Tribunal, Mumbai (in respect of CST demand) & Deputy Commissioner of Sales Tax (Appeals) Pune

B K RAMADHYANI & CO. LLP Chartered Accountants

8. In our opinion and according to the information and explanations given to us, there are no defaults in repayment of dues to banks as at March 31, 2016 taking into consideration the terms and conditions of the Master Restructuring Agreement ("MRA") referred to in note 55 of the financial statements. There are no loans taken from financial institution, Government or dues to debenture holders by the Company.

9. The company has not raised moneys by way of initial public offer, further public offer (including debt instruments), or fresh term loans from banks during the year.

10. According to the information and explanation given to us, there are no frauds or any fraud on the company by its officers or employees have been noticed or reported during the year.

11. According to the information and explanations given by the management, managerial remuneration paid or provided is in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

12. The Company is not a Nidhi Company. Accordingly, the provisions of clause 3(xii) of the said Order are not applicable.

13. In our opinion and according to the information and explanation given to us and as represented to us by the management, all transactions with related parties are in compliance with section 177 and 188 of Companies Act, 2013 and details have been disclosed in the Financial Statements as required by the applicable accounting standards.

14. The Company during the year 2014-15 issued and allotted 15,95,890 Compulsorily Convertible Preference Shares ("CCPS") of Rs 100/- each to Mr. Vijay R Kirloskar by way of preferential placement as referred to in Note 3 Foot note 1(c) of the financial statements out of which 777,485 CCPS were converted to 25,54,156 equity shares of Rs 10/- each at a premium of Rs 20.44 per equity share on February 11, 2016. Since there was only a conversion of CCPS into equity shares was done during the year, no comments regarding utilisation of the funds received and compliance with section 42 of the Act have been made.

15. As represented to us by the management and according to the information and explanation given to us by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the said Order are not applicable.

16. According to the information and explanation given, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly clause 3(xvi) of the Order is not applicable to the Company.

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

CA. VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016
Place: Bangalore

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15TH Cross, Malleswaram,
BANGALORE - 560 055.

ANNEXURE-B REFERRED TO IN PARAGRAPH 2 (g) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Kirloskar Electric Company Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

B.K. RAMADHYANI & CO. LLP * Chartered Accountants * BANGALORE-55

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For B.K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

Vasuki H S

VASUKI H S
Partner
Membership No. 212013

Date: May 25, 2016

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15TH Cross,Malleswaram,
BANGALORE - 560 055.

KIRLOSKAR ELECTRIC COMPANY LIMITED
BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 ₹ In lakhs		As at March 31, 2015 ₹ In lakhs	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	6,391.78		6,913.85	
(b) Reserves and surplus	4	(4,680.42)		(2,089.45)	
			1,711.36		4,824.40
(2) Non - current liabilities					
(a) Long term borrowings	5	7,890.33		5,578.45	
(b) Other long term liabilities	7	1,481.58		1,770.52	
(c) Long term provisions	8	1,677.55		1,547.44	
			11,049.46		8,896.41
(3) Current liabilities					
(a) Short term borrowings	9	14,422.09		15,681.14	
(b) Trade payables -total outstanding dues of					
(i) micro and small enterprises, and	10 (a)	80.83		73.43	
(ii) creditors other than micro and small enterprises	10 (b)	18,145.81		18,871.16	
(c) Other current liabilities	11	9,873.60		7,771.78	
(d) Short term provisions	12	2,950.44		2,538.65	
			45,472.77		44,936.16
TOTAL			58,233.59		58,656.97
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	13	8,419.53		8,864.36	
(ii) Intangible assets	13	53.52		87.29	
(iii) Capital work in progress	14	14.25		165.78	
		8,487.30		9,117.43	
(b) Non - current investments	15	6,536.01		6,534.01	
(c) Deferred tax assets (net)	6	-		-	
(d) Long term loans and advances	16	2,017.54		1,891.61	
(e) Other non current assets	17	12,824.53		13,960.30	
			29,865.38		31,503.35
(2) Current assets					
(a) Inventories	18	9,711.15		9,294.46	
(b) Trade receivables	19	10,449.70		8,272.87	
(c) Cash and bank balances	20	2,598.03		1,983.10	
(d) Short term loans and advances	21	1,221.23		1,030.41	
(e) Other current assets	22	4,388.10		6,572.78	
			28,368.21		27,153.62
TOTAL			58,233.59		58,656.97

Significant accounting policies and notes attached form an integral part of the financial statements — **1, 2, 23, 35 to 57**

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number: 002878S/S200021

CA. Vasuki H.S
Partner
Membership No. 212018
Place: Bangalore
Date: May 25, 2016

B K RAMADHYANI & CO. LLP CHARTERED ACCOUNTANTS No. 68, # 4-B, Chirapur Bhavan, [illegible] Malleswaram, [illegible] BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance & Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal & Company Secretary

KIRLOSKAR ELECTRIC COMPANY LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current year ₹ In lakhs		Previous Year ₹ In lakhs	
I	Revenue from operations	24		54,775.15		51,080.32
II	Other income	25		353.73		330.70
III	Total revenue (I + II)			55,128.88		51,411.02
IV	Expenses					
	Cost of materials consumed	26	40,596.93		34,903.70	
	Changes in inventories of finished goods, work in progress and stock in trade	27	355.36		5,785.48	
				40,952.29		40,689.18
	Employee benefits/ expenses	28		7,517.43		7,557.25
	Finance costs	29		4,185.68		4,413.14
	Depreciation and amortization	30		1,101.07		1,103.81
	Other expenses	31		6,640.63		8,244.53
				60,397.10		62,007.91
	Less: expenses capitalised			-		5.57
	Total expenses			60,397.10		62,002.34
V	Loss before exceptional and extraordinary items and tax (III-IV)			5,268.22		10,591.32
VI	Exceptional and extraordinary items	32		(2,155.18)		2,383.31
VII	Loss before tax (V+VI)			3,113.04		12,974.63
VIII	Tax expense:					
	Current tax			-		-
IX	Loss for the period (VII + VIII)			3,113.04		12,974.63
X	Earning per equity share before exceptional item:	34				
	Basic & Diluted (in ₹)			(9.84)		(20.95)
XI						
	Earning per equity share after exceptional item:	34				
	Basic & Diluted (in ₹)			(5.82)		(25.66)
	Significant accounting policies and notes attached form an integral part of the financial statements	**1, 2, 23, 33, 35 to 57**				

In Accordance with our report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number: 002878S/S200021

Vasuki. H.S.

CA. Vasuki H.S
Partner
Membership No. 212013
Place: Bangalore
Date: May 25, 2016

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

KIRLOSKAR ELECTRIC COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year ₹ In lakhs		Previous Year ₹ In lakhs	
Cash flows from operating activities				
Profit / (Loss) before taxation		(3,113.04)		(12,974.63)
Adjustments for:				
Depreciation and amortisation	1,101.07		1,103.81	
Provisons (net)	922.22		2,134.50	
Profit on sale of fixed assets	(42.51)		(13,717.51)	
Interest income	(95.02)		(107.96)	
Investment written off	-		16,384.16	
Dividends received	(8.52)		(6.78)	
Exceptional item	(2,155.18)		-	
Finance costs	4,185.68		4,413.14	
		3,907.74		10,203.36
		794.70		(2,771.27)
(Increase)/ decrease in trade and other receivables	641.40		3,911.95	
(Increase)/ decrease in inventories	(416.70)		6,116.14	
Increase/ (decrease) in trade payables and other current liabilities	(474.53)		(8,699.98)	
		(249.83)		1,328.11
		544.87		(1,443.16)
Income taxes paid		181.54		46.00
Net cash from operating activities		363.33		(1,489.16)
Cash flows from investing activities				
Purchase of property, plant and equipment	(493.54)		(319.67)	
Proceeds from sale of property, plant and equipment	65.11		1,703.04	
Purchase of investments	(2.00)		(9,436.00)	
Proceeds from sale trust shares	2,155.18		-	
Sale of Investment	-		6,063.50	
Interest received	81.72		89.24	
Increase in margin money and short term deposits	(285.77)		(496.69)	
Dividend received	8.52		6.78	
Net cash from investing activities		1,529.22		(2,389.80)
Cash flows from financing activities				
Proceeds from long term borrowings	3,652.70		601.45	
Repayment of long term borrowings	-		(10.95)	
ICD's Accepted	495.00		14,856.98	
ICD's Repaid	(1,339.30)		(14,553.00)	
Issue of shares	-		2,405.05	
Fixed deposits from public accepted	567.50		-	
Repayment of fixed deposits from public	(1,715.70)		(1,070.14)	
Increase/ (decrease) of short term borrowings (net)	(412.95)		2,330.87	
Repayment of finance lease obligation	-		(9.35)	
Finance costs	(2,810.64)		(4,308.40)	
Net cash from financing activities		(1,563.39)		242.51
Net increase/(decrease) in cash and cash equivalents		329.16		(3,636.45)
Cash and cash equivalents at beginning of the year		1,038.66		4,675.11
Cash and cash equivalents at end of the year		1,367.82		1,038.66

Cash & Cash equivalents:

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS-3), 'Cash Flow Statements'. 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	2,598.03	1,983.10
Less: Other bank balances	1,230.21	944.44
Cash and cash equivalents as restated	1,367.82	1,038.66

In Accordance with our Report attached

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm number: 002878S/S200021

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

Vijay R Kirloskar	**CA. Vinayak Narayan Bapat**	**Kamlesh Gandhi**
Executive Chairman	Managing Director	Director
DIN:00031253	DIN:06936639	DIN:00004969

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

CA. Vasuki H-S
Partner
Membership No. 221013
Place: Bangalore
Date: May 25, 2016

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

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:

These financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with Accounting Standards specified under Section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis. 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 of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results to could differ due to changes in these estimates and the difference between the actual result and the estimate are recognised in the period in which the results are known / materialise.

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 /amortisation.

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.

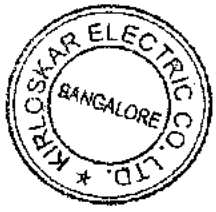
(iii) Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress and finished goods are computed on weighted average basis.

2.7 DEPRECIATION:

(i) Depreciation on furniture and fixtures above ₹ 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.

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



(iii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought/sold during the year is charged on straight line method as per the useful life in Schedule II of Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed/sold except in case of certain plant and machineries whose useful life is as assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straight-line basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools are different from that specified in Schedule II to the said act, ranging from 1 to 25 years. Assets whose individual value less than ₹ 5,000/- is depreciated fully in the year of addition irrespective of useful life.

2.8 REVENUE RECOGNITION:

(i) Sale of products and services is recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, sales tax, service tax, value added tax and trade discounts.

(ii) Interest income is recognized on time proportion basis.

(iii) Dividend income is recognized, when the right to receive the dividend is established.

(iv) Rental income is recognized on time proportion basis.

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss in the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

2.10 EMPLOYEE BENEFITS:

(i) Short term employee benefits:

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

(ii) Post employment benefits:

a. Defined contribution plans:

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

b. Defined benefit plans:

Employees' gratuity is defined benefit plan. 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.

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

B.K. RAMAPHYANI & CO. LLP Chartered Accountants BANGALORE-56

c. Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

2.11 FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

(ii) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

(iii) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(iv) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

(v) The Company enters 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 statement of profit and loss, 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.

B.K. RAMADHYANI & CO. LLP * Chartered Accountants * BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. * BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	₹ in Lakhs	Number	₹ in Lakhs
3 Share capital:				
Authorized: (*)				
Preference Shares of ₹ 100/- each	3,000,000	3,000.00	3,000,000	3,000.00
Equity shares of ₹ 10/- each	60,000,000	6,000.00	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of ₹ 100/- each				
At the beginning of the year	1,595,890	1,595.89	-	-
Issued during the year	-	-	1,595,890	1,595.89
Redeemed during the year (Refer foot note 1.c. below)	777,485	777.49	-	-
At the close of the year	818,405	818.40	1,595,890	1,595.89
Equity shares of ₹ 10/- each				
At the beginning of the year	53,179,567	5,317.96	50,521,367	5,052.14
Issued during the year	2,554,156	255.42	2,658,200	265.82
At the close of the year	55,733,723	5,573.38	53,179,567	5,317.96
Total carried to Balance Sheet		6,391.78		6,913.85

(*) The Company had passed resolution approved by the members at the 68th Annual General Meeting held on September 28, 2015 increasing the Authorised Share Capital of the company from ₹ 900,000,000/- (Rupees Ninety Crores) divided into 60,000,000 (Six Crores) Equity Shares of ₹ 10/- each and 3,000,000 (Thirty Lakhs) Preference Shares of ₹ 100/- each to ₹ 1,650,000,000/- (Rupees One Hundred and Sixty Five crores) divided into 90,000,000 (Nine Crores) Equity Shares of ₹ 10/- each and 7,500,000 (Seventy Five Lakhs) Preference Shares of ₹ 100/- each. However the Company did not act on such increase in authorised share capital and consequently not made any payment of stamp duty. Subsequently the Company has convened an Extra Ordinary General Meeting on June 24, 2016 vide a notice dated May 18, 2016 where a resolution has been proposed that the above resolution passed shall stand cancelled, be treated as void ab initio, and not to take effect. The said notice has proposed to increase the authorised share capital of the Company to Rs 1,150,000,000/- (Rupees One Hundred and Fifteen Crores) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity shares of Rs. 10/- each and 3,000,000 (Thirty Lakhs) Preference shares of Rs. 100/- each. Accordingly, the authorised share capital prevailing prior to the said resolution passed on September 28, 2015 has been shown in this note.

Foot notes

1 **Preference shares:**

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

b. 1,176,746 Preference shares (value ₹ 1,176.75 lakhs) were allotted pursuant to a contract without consideration being received in cash. These preference shareholders were allotted to preference share holders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved 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, 2016		As at March 31, 2015	
	Number	₹ in Lakhs	Number	₹ in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	1,547,182	1,547.18	2,376,746	2,376.75

c. During the financial year 2014-15 Company had issued and allotted 1,595,890 (Fifteen lakh ninety five thousand eight hundred and ninety) Compulsory Convertible Preference Shares ("CCPS") of Rs. 100/-(Rupees one hundred), to Mr. Vijay R Kirloskar (Promoter) by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% (zero point one per cent) per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise), (the rate of ₹ 30.44/- per equity share as approved in principle by the stock exchanges) in two tranches in accordance with the SEBI (ICDR) Regulations, 2009 as amended form time to time. Such issue and allotment of equity shares resultant on conversion of the preference shares will be made at such time or times as determined by the Board in such manner as the Board may in its absolute discretion think fit at the time of conversion. Accordingly 777,485 Preference shares were converted into 2,554,156 equity shares of ₹ 10/- each for cash at a premium of ₹ 20.44 (Rupees twenty and fourty four paise) as per the first tranche on February 11, 2016.

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

	As at March 31, 2016		As at March 31, 2015	
	Number	Percentage	Number	Percentage
Vijay R Kirloskar	818,405	100.00	1,595,890	100.00

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	₹ in Lakhs	Number	₹ in Lakhs
2 Equity shares:				
a. The Company has only one class of equity shares having a par value of ₹ 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 ₹ 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. [Refer foot note 2.c. below).	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii) Shares allotted during the year 2007-08 to the promoters group in terms of order dated September 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2008 under sections 391 to 394 of The Companies Act, 1956.	**2,000,000**	**200.00**	2,000,000	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.	**6,000,000**	**600.00**	6,000,000	600.00
(iv) Shares allotted during the year 2014-15 to Vijay R Kirloskar at a premium of ₹ 20.44 per share	**2,658,200**	**265.82**	2,658,200	265.82
(v) Shares allotted during the year 2015-16 to Vijay R Kirloskar at a premium of ₹ 20.44 per share by conversion of CCPS.	**2,554,156**	**255.42**	-	-

c. The KECL Investment Trust had during the year, sold 6,174,878 equity shares of ₹ 10/- each of the Company for which the Company is the sole beneficiary in terms of scheme of arrangement approved by the honorable High Court of Karnataka under section 391-394 of the Companies Act 1956 in an earlier year. The resultant profit of ₹ 2,155.32 lakhs (net of STT, service tax, exchange transaction charges, SEBI transaction fees and stamp duty charges) is considered as an extraordinary item.

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

	As at March 31, 2016		As at March 31, 2015	
	Number	Percentage	Number	Percentage
(i) Abhiman Trading Company Private Limited	**5,217,063**	**9.36%**	5,217,063	9.81%
(ii) Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**7.64%**	4,257,682	8.01%
(iii) KECL Investment Trust	**-**	**-**	6,174,878	11.61%
(iv) Mr. Vijay Ravindra Kirloskar	**9,125,625**	**16.37%**	6,571,469	12.36%
(v) Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**5.50%**	3,064,094	5.76%
(vi) Vijay Farms Private Limited	**3,540,807**	**6.35%**	3,540,807	6.66%

KIRLOSKAR ELECTRIC CO LTD. * BANGALORE

BK RAMADHYANI & CO LLP * BANGALORE-55 * Chartered Accountants

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
4 Reserves 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) **Securities premium reserve**		
At the beginning of the year	**543.34**	-
Transferred during the year (refer foot note 1 (c) of Note 3)	**522.07**	543.34
At the close of the year	**1,065.41**	543.34
c) **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
d) **Debenture redemption reserve**		
At the beginning of the year	-	494.00
Tranfer to Surplus	-	(494.00)
At the close of the year	-	-
e) **Revaluation reserve**		
At the beginning of the year	**208.66**	480.41
Tranfer to Surplus	-	(271.75)
At the close of the year	**208.66**	208.66
f) **Reconstruction Reserve**		
At the beginning of the year	**641.67**	641.67
At the close of the year	**641.67**	641.67
g) **Reserve for doubtful debts**		
At the beginning of the year	**90.00**	90.00
At the close of the year	**90.00**	90.00
h) **Surplus i.e. balance in statement of profit and loss**		
At the beginning of the year	**(5,992.93)**	6,284.82
Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets where remaining useful life is NIL	-	(68.87)
Tranfer from revaluation reserve	-	271.75
Tranfer from debenture redemption reserve	-	494.00
Transferred from statement of profit and loss	**(3,113.04)**	(12,974.63)
At the close of the year	**(9,105.97)**	(5,992.93)
Total carried to Balance Sheet	**(4,680.42)**	(2,089.45)

B.K. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ In Lakhs
5 Long term borrowings:		
1) Secured loans:		
a. Term loan from banks	8,607.18	3,601.45
	8,607.18	3,601.45
Less:		
Current maturities	1,278.55	-
	7,328.63	3,601.45
2) Unsecured loans:		
Fixed deposits	2,746.70	3,893.10
	2,746.70	3,893.10
Less:		
Current maturities	2,185.00	1,916.10
	561.70	1,977.00
3) Total long term borrowings (1+2)	7,890.33	5,578.45
Additional information:		
1) Details of security for secured loans:		
Working capital term loans and funded interest term loans from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans are guaranteed by the Executive Chairman of the Company.	8,607.18	3,601.45
2) Terms of repayment of term loans and others		
From Bank:		
i) Working Capital Term loans from consortium banks carry an interest of 11% (base rate of Bank of India plus 75 basis points) per annum and repayable in 96 equal monthly instalments commencing from April 30, 2016.	6,692.60	2,886.00
ii) Funded Interest Term loans from consortium banks carry an interest of 11% (base rate of Bank of India plus 75 basis points) per annum and repayable in 60 equal monthly instalments commencing from April 30, 2016.	1,914.58	715.45

3) Unsecured Loans:

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

b) Fixed deposits include ₹ 224.10 lakhs (as at March 31, 2015 ₹ 18.10 lakhs) matured unclaimed deposits.

B.K. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-560 001

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
6 Deferred tax:		
i) **i) Deferred tax liability:**		
a) On account of depreciation on fixed assets	1,701.00	1,879.60
Total	1,701.00	1,879.60
ii) **ii) Deferred tax asset:**		
a) On account of timing differences in recognition of expenditure	1,525.09	1,312.18
b) On account of Unabsorbed depreciation and brought forward losses under the Income Tax Act, 1961 (restricted to Deferred tax liability)	175.91	567.42
Total	1,701.00	1,879.60
Net Deferred tax (liability)/asset	-	-
7 Other long term liabilities:		
Security deposits from suppliers and dealers	1,481.58	1,770.52
	1,481.58	1,770.52
8 Long term provisions:		
Provisions for employee defined benefit plans (refer note 43)	1,677.55	1,547.44
	1,677.55	1,547.44

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

B.K. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
9 Short term borrowings:		
1) Secured loans:		
a) Loans repayable on demand		
- from banks	**11,548.50**	11,968.41
b) Loan against pledge of fixed deposit from bank	**13.87**	6.91
	11,562.37	11,975.32
2) Unsecured loans:		
a) Fixed deposits	**5.30**	7.10
b) Inter corporate deposits	**2,854.42**	3,698.72
	2,859.72	3,705.82
Total	**14,422.09**	15,681.14

1) **Details of security for secured loans:**

a) Working capital loans from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans carry an interest rate of 11% (base rate of Bank of India plus 75 basis points) per annum and also guaranteed by the Executive Chairman of the Company.	**8,578.68**	9,233.31
b) Loan from a bank is secured against the equitable mortgage of certain immovable property of the Company, equitable mortagage of immovable properties of SKG Terra Promenade Private Limited (SKG), lien on fixed deposits amounting to ₹ 175 lakhs and guaranteed by the Executive chairman of the Company. Further corporate guarantee is given by the said SKG in respect of those specified properties and the loan carries an interest of 13.85% per annum	**2,716.95**	2,735.10
c) Buyers Credit from a bank is secured first pari passu charge on current assets as primary security, equitable mortgage of certain immoveable properties of the Company, pledge of 24,886,143 promoter's equity shares in the Company as at September 30, 2014 and also gauranteed by the Executive Chairman of the Company. Further it carries an interest linked to LIBOR as agreed from time to time with the bank.	**252.87**	-
d) Against pledge of fixed deposits	**13.87**	6.91

2) **Unsecured loans:**

a) Fixed deposits are taken for a period of 12 months at interest rate of 11.50% .

b) Inter corporate deposits are taken for periods ranging between 90 to 360 days with interest rates averaging upto 18% per annum.

c) Fixed deposits include ₹ 1.50 lakhs (as at March 31, 2015: ₹ 7.10 lakhs) matured unclaimed deposits.

B K RAMADHYANI & CO. BANGALORE Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
10 Trade payables:		
a) **Total outstanding dues of micro and small enterprises**		
Trade payables	**80.83**	73.43
	80.83	73.43
b)		
Total outstanding dues of creditors other than micro and small enterprises		
i) Trade payables	**11,682.62**	14,413.79
ii) Acceptances	**6,463.19**	4,457.37
	18,145.81	18,871.16

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, 2016	As at March 31, 2015
1	Principal amount due and remaining unpaid	80.83	73.43
2	Interest due on (1) above and the unpaid interest	13.81	20.58
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	38.18	104.48
5	Interest due and payable for the period of delay other than (3) above	2.19	5.68
6	Interest accrued and remaining unpaid	16.00	20.75
7	Amount of further interest remaining due and payable in succeeding years	49.50	33.50

11 Other current liabilities:			
a)	Current maturities of fixed deposit	**2,185.00**	1,916.10
b)	Current maturities of secured loan from bank	**1,278.55**	-
c)	Interest accrued but not due on deposits	**324.86**	302.85
d)	Statutory liabilities	**869.48**	705.63
e)	Other liabilities	**4,024.81**	2,776.95
f)	Trade advances	**1,190.90**	2,070.25
		9,873.60	7,771.78
12 Short term provisions:			
a)	Provision for short term compensated absences	**17.03**	17.11
b)	Provision for wage arrears	**747.79**	400.24
c)	Provision for warranty	**599.77**	597.90
d)	Provision for tax (net of advance tax outside India)	**7.71**	5.26
e)	Provision for contingencies (refer note 47)	**1,578.14**	1,518.14
		2,950.44	2,538.65

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-65

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

13 Fixed assets:

₹ in Lakhs

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions for the year	Deductions/ adjustments during the year	As at March 31, 2016	As at April 1, 2015	For the year	Deductions / adjustments during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Tangible Assets										
Own assets										
Land	916.39	-	-	916.39	-	-	-	-	916.39	916.39
Building	4,947.37	151.56	-	5,098.93	1,687.14	188.61	-	1,875.75	3,223.18	3,260.23
Plant and equipment	14,301.10	130.41	350.04	14,081.47	10,902.25	631.40	333.58	11,200.07	2,881.40	3,398.85
Tools and Jigs	1,538.91	98.37	11.18	1,626.10	943.65	66.20	10.68	999.17	626.93	595.26
Electrical installations	206.76	0.88	51.43	156.21	130.89	22.13	51.43	101.59	54.62	75.87
Motor vehicles	376.71	154.76	26.54	514.93	311.90	45.32	21.98	335.24	179.69	64.81
Office equipments	119.14	59.66	0.95	187.85	67.02	38.66	0.65	105.03	82.82	52.12
Furniture and fittings	992.58	15.07	30.96	976.69	798.58	50.15	30.18	818.55	158.14	194.00
Leasehold improvements	313.35	-	-	313.35	75.22	10.47	-	85.69	227.66	238.13
Assets taken on finance lease				-						
Land ($)	68.70	-	-	68.70	-	-	-	-	68.70	68.70
Plant and machinery	1,033.39	-	-	1,033.39	1,033.39	-	-	1,033.39	-	-
	24,814.40	**630.71**	**471.10**	**24,974.01**	**15,950.04**	**1,052.94**	**448.50**	**16,554.48**	**8,419.53**	**8,864.36**
Intangible assets				-						
Goodwill	423.46	-	-	423.46	423.46	-	-	423.46	-	-
Computer software	558.61	14.36	-	572.97	471.32	48.13	-	519.45	53.52	87.29
Technical knowhow and product development	147.93	-	-	147.93	147.93	-		147.93	-	-
	1,130.00	**14.36**	**-**	**1,144.36**	**1,042.71**	**48.13**	**-**	**1,090.84**	**53.52**	**87.29**
TOTAL	**25,944.40**	**645.07**	**471.10**	**26,118.37**	**16,992.75**	**1,101.07**	**448.50**	**17,645.32**	**8,473.05**	**8,951.65**
	28,979.27	209.06	3,243.93	25,944.40	17,022.47	1,172.68	1,202.40	16,992.75		

TOTAL

Additional information:

1) ($) Land taken on lease from KIADB aggregates to ₹ 68.70 lakhs. On expiry of lease periods, payment of balance considerations if any, and execution of sale deeds, the relevant title will pass to the Company.

2) Management has determined that there are no subsequent parts of assets whose useful life is different from that of the remaining useful life of the asset in terms of Note 4 Schedule II to the Companies Act, 2013. Accordingly, useful life of significant assets have been determined for the overall asset and not for individual components.

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
14 Capital work in progress:		
i) Building under construction	**14.25**	165.78
	14.25	165.78

15 Non current investments:

Details of investments	Name of the Company	As at March 31, 2016			As at March 31, 2015		
		No of shares	Face value	₹ In Lakhs	No of shares	Face value	₹ In Lakhs
a)	**Investments in equity instruments:**						
	i) Subsidiaries: (Trade)						
	Fully paid up						
	KEC North America Inc (refer additional information 4 below)	210	-	129.36	210	-	129.36
	Kelbuzz Trading Private Limited	4,045,500	10	404.55	4,045,500	10.00	404.55
	Luxquisite Parkland Private Limited	60,640,000	10	6,064.00	60,640,000	10.00	6,064.00
	SLPKG Estate Holdings Private Limited	90,000	10	9.00	90,000	10.00	9.00
	SKG Terra Promenade Private Limited	10,000	10	1.00	10,000	10.00	1.00
	Kesvik Developers Private Limited	10,000	10	1.00	-	-	-
	Swaki Habitat Private Limited	10,000	10	1.00	-	-	-
	ii) Associates: (Trade)						
	Fully paid up						
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	300,000	MR1	5.29	300,000	MR1	5.29
	iii) Others						
	Fully paid up						
	ICICI bank Ltd (on merger of Sangli Bank Limited)	5,405	2	1.00	5,405	2.00	1.00
	The Mysore Kirloskar Ltd (refer additional information 3 below)	770,750	10	-	770,750	10.00	-
	Kirloskar Proprietary Ltd	26	100	1.28	26	100.00	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 Equipment Ltd	340,000	10	28.17	340,000	10.00	28.17
b)	**Investments in debentures or bonds**						
	i) Others						
	Fully paid up						
	The Mysore Kirloskar Ltd (refer additional information 3 below)	30,000	44	-	30,000	44.00	-
	Total			6,665.37			6,663.37
	Less:						
	Provision for diminution in value of investments			129.36			129.36
	Total			6,536.01			6,534.01

Additional Information:

1) Aggregate value of quoted investments:

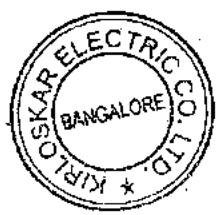
Cost	1.00	1.00
Market Value	12.79	17.04

2) Aggregate value of unquoted investments:

Cost	6,664.37	6,662.37

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

4) 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.



Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
16 Long term loans and advances:		
(Unsecured and considered good)		
i) Capital advances	**94.54**	104.70
ii) Security deposits	**448.15**	435.06
iii) Rent Deposit to related parties	**280.00**	280.00
iv) Disputed statutory liabilities/ taxes paid	**1,194.85**	1,071.85
	2,017.54	1,891.61
Amounts due from a private company in which a director of the Company is a director included in iii) above	**100.00**	100.00
17 Other non current assets:		
(unsecured and considered good)		
i) Long term trade receivables	**148.26**	173.76
ii) Recievables from subsidiaries	**12,374.03**	13,668.29
iii) Advance payment of tax (net)	**302.24**	118.25
	12,824.53	13,960.30

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

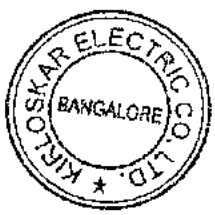
Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
18 Inventories:		
i) Raw materials	1,670.33	942.49
ii) Work in progress	5,107.58	6,803.90
iii) Finished goods	2,400.47	1,053.94
iv) Stores and spares	525.93	523.05
v) Others (scrap stock)	17.17	24.63
Goods in transit:		
i) Raw materials	41.34	-
ii) Finished goods	4.27	2.39
	9,767.09	9,350.40
Less: Provision for non-moving stocks	55.94	55.94
	9,711.15	9,294.46
19 Trade receivables:		
i) Trade receivables exceeding six months	1,628.77	590.84
ii) others	9,413.10	8,243.43
	11,041.87	8,834.27
Less: Allowance for doubtful receivables	592.17	561.40
	10,449.70	8,272.87
Additional Information:		
1) Breakup of above:		
i) Unsecured, considered good	10,449.70	8,272.87
ii) Doubtful	592.17	561.40
Total	11,041.87	8,834.27
Less:		
Allowance for doubtful receivables	592.17	561.40
	10,449.70	8,272.87
2) Amounts due by private companies in which directors of the Company are directors	13.60	8.48
20 Cash and bank balances:		
a) Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	1,356.23	1,028.86
ii) Cash on hand	11.59	9.80
	1,367.82	1,038.66
b) Other bank balances:		
i) Balances with banks		
- in short term deposits	104.15	104.31
- in margin money, security for borrowings, guarantees and other commitments	1,126.06	840.13
	1,230.21	944.44
Total (a + b)	2,598.03	1,983.10

B K RAMADHYANI & CO LLP Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs
21 Short term loans and advances:		
i) Loans and advances to related parties (refer note 41)	**324.82**	341.91
ii) Others	**1,624.64**	1,064.73
	1,949.46	1,406.64
Less: Allowance for doubtful advances	**728.23**	376.23
	1,221.23	1,030.41
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**1,221.23**	1,030.41
ii) Doubtful	**728.23**	376.23
Total	**1,949.46**	1,406.64
Less:		
Allowance for doubtful advances	**728.23**	376.23
	1,221.23	1,030.41
2) Amounts due by private companies in which directors of the Company are directors	**322.32**	336.45
22 Other Current assets:		
i) Central excise receivable	**595.98**	452.01
ii) VAT receivable	**1,133.23**	1,208.68
iii) Receivables from subsidiaries	**2,531.02**	4,784.22
iv) Assets held for sale (refer note 40)	**793.09**	793.09
	5,053.32	7,238.00
Less:		
Provision for asset held for sale	**665.22**	665.22
	4,388.10	6,572.78



Particulars	As at March 31, 2016 ₹ in Lakhs	As at March 31, 2015 ₹ in Lakhs

23 Contingent liabilities and commitments:
(to the extent not provided for)

a) Contingent liabilities:

i)	Claims against the Company not acknowledged as debts	**1,740.51**	1,568.89
ii)	Guarantees	**2,879.21**	2,564.04
iii)	Letters of credit	**8,239.20**	4,185.21
iv)	Bills discounted with Bank	**1,207.81**	1,708.08
v)	Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bangalore quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of ₹ 46.18 lakhs paid has been included in disputed statutory dues and the Company is confident of receiving the refund from the PF authorities.	**Nil**	Nil
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.	**365.54**	303.20
vii)	Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to ₹ 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to ₹399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of ₹ 658.88 lakhs (as at March 31, 2015 ₹ 643.46 lakhs) against the demand which has been included in disputed statutory dues.	**5,269.65**	5,182.06
viii)	The Company has filed before the Honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honourable High Court of Karnataka. The Company has paid an aggregate amount of ₹ 479.23 lakhs (as at March 31, 2015 ₹ 369.23 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 16.	**889.37**	889.37
ix)	Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	**208.21**	219.10
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.	**0.90**	0.90
xiii)	Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by the Company.	**1,370.49**	238.51
xiv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at March 31, 2015 ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 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 Company has deposited during the year ₹ 102.80 lakhs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. The Company does not acknowledge this liability.	**405.60**	405.60
xv)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,164.66**	1,162.50
xvi)	Corporate Gaurantee given to its wholly owned subsidiary	**6,594.12**	3,566.71
xvii)	Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per Master Restructuring Agreement (MRA).	**514.00**	-

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. However as a matter of abundant caution the Compay has recognised a provision for contingencies, to take care of any liabilities that may devolve, as detailed in Note 47.

b) Commitments

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**62.58**	**113.65**

B.K. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars		Current Year ₹ in Lakhs	Previous Year ₹ in Lakhs
24 Revenue from operations:			
i)	Sale of products		
	Motors, alternators and generators	30,324.76	28,106.64
	Transformers	13,535.34	16,245.27
	DG sets	10,268.31	5,171.07
	Others	5,408.62	5,174.36
	Total	59,537.03	54,697.34
ii)	Sale of services	845.70	775.36
		60,382.73	55,472.70
	Less:		
	Excise duty	5,607.58	4,392.38
		54,775.15	51,080.32
25 Other income:			
i)	Interest income	95.02	107.96
ii)	Dividend income from long term investments	8.52	6.78
iii)	Profit on sale of fixed assets (net)	42.51	-
iv)	Provision no longer required and Unclaimed credit balance written back	149.39	114.54
v)	Rent received	10.31	24.68
vi)	Miscellaneous income	47.98	76.74
		353.73	330.70
26 Cost of materials consumed:			
	Consumption of raw materials, components, stores and spare parts	40,596.93	34,903.70
		40,596.93	34,903.70
	Additional Information:		
1 i)	Copper (Wires, strips, rods, sheets etc)	7,345.34	8,194.30
ii)	Iron and steel (pigiron, rounds, plates, sheets , etc.,)	7,867.56	6,942.52
iii)	Stores and spares	879.29	1,027.44
iv)	Others	24,504.74	18,739.44
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	3,212.89	5,309.29
	Transformers	1,554.95	965.59
	DG Sets	284.49	499.18
	Others	55.25	29.84
	Total	5,107.58	6,803.90
ii)	Finished goods		
	Motors, alternators and generators	1,277.47	826.65
	Transformers	642.24	123.81
	DG sets	316.29	17.38
	Others	168.74	88.48
	Total	2,404.74	1,056.32
iii)	Scrap	17.17	24.63
		7,529.49	7,884.85
	Less: Stocks at the beginning of the year		
i)	Work in progress		
	Motors, alternators and generators	5,309.29	7,231.44
	Transformers	965.59	1,948.40
	DG sets	499.18	1,536.36
	Others	29.84	60.23
	Total	6,803.90	10,776.43
ii)	Finished goods		
	Motors, alternators and generators	826.65	1,675.27
	Transformers	123.81	1,004.67
	DG sets	17.38	29.50
	Others	88.48	180.22
	Total	1,056.32	2,889.66
iii)	Scrap	24.63	4.24
		7,884.85	13,670.33
		355.36	5,785.48

B.K. RAMADHYANI & CO. Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars			Current Year ₹ in Lakhs		Previous Year ₹ in Lakhs
28 Employee benefit expenses:					
i)	Salaries, wages and bonus		6,079.10		5,937.62
ii)	Contribution to provident and other funds		640.68		683.85
iii)	Staff welfare expenses		797.65		935.78
			7,517.43		7,557.25
29 Finance costs:					
i)	Interest expense		3,932.22		4,086.36
ii)	Other borrowing costs		253.46		326.78
			4,185.68		4,413.14
30 Depreciation and amortization:					
i)	Depreciation		1,052.94		1,058.88
ii)	Amortization of intangible assets		48.13		44.93
			1,101.07		1,103.81
31 Other expenses:					
i)	Power and fuel		798.64		780.34
ii)	Rent		345.22		380.14
iii)	Repairs to buildings		87.17		77.72
iv)	Repairs to machinery		236.32		182.52
v)	Repairs to others		331.31		315.87
vi)	Vehicle maintenance		17.94		29.04
vii)	Insurance		29.67		37.28
viii)	Rates and taxes		209.20		194.48
ix)	Payment to auditors				
	- as auditor (includes branch audit fees of ₹0.12, previous year ₹0.13)	30.24		38.14	
	- for taxation matters (includes ₹0.12, previous year ₹0.12 to branch auditor)	10.00		20.37	
	- for Certification work	5.00		7.00	
	- for limited review	15.00		15.00	
			60.24		80.51
x)	Selling expenses		1,529.42		1,641.09
xi)	Commission		37.21		72.27
xii)	Warranty claims		248.13		441.25
xiii)	Allowance for doubtful trade receivables		30.77		-
xiv)	Allowance for doubtful loans and advances		352.00		44.08
xv)	Net (gain)/loss on foreign currency transaction and translation		66.43		25.20
xvi)	Bad trade receivables written off	0.30		2.93	
	Less: Allowance for doubtful trade receivable withdrawn	-		600.00	
			0.30		(597.07)
xvii)	Irrecoverable loans and advances written off	-		29.96	
	Less: Allowance for doubtful loans and advances withdrawn	-	-	16.99	12.97
xvii)	Loss on sale of fixed asset (net)		-		283.35
xviii)	Donations		0.25		2.20
xix)	Legal and professional charges		437.66		532.93
xx)	Travelling		534.90		564.31
xxi)	Printing and stationary		50.99		62.58
xxii)	Postage, telgrams and telephones		127.75		158.67
xxiii)	Directors sitting fees		12.90		13.65
xxiv)	Provision for assets held for sale		-		598.50
xxv)	Provision for contingencies		60.00		1,518.14
xxv)	Miscellaneous expenses		1,036.21		792.51
			6,640.63		8,244.53

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	Current Year ₹ in Lakhs	Previous Year ₹ in Lakhs
32 Extraordinary/ Exceptional Item:		
i) Profit on transfer of assets to subsidiaries.	-	(14,000.86)
ii) Loss on sale of investments	-	16,384.17
iii) Sale of equity shares held by KECL Investment Trus{refer note 3 footnote (2(c)]	(2,155.18)	-
	(2,155.18)	2,383.31
33 Additional Information:		
a) Value of Imports calculated on CIF basis:		
i) Raw Materials, Components and spare parts	417.35	387.40
ii) Capital goods	13.78	9.53
b) Expenditure in foreign currency: (net of withholding tax)		
i) Professional, consultancy and other fees	84.45	35.24
ii) Travel	82.44	99.94
iii) Investments in wholly owned subsidaiary (Kirsons BV)	-	3,360.50

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	455.67	1.12%	358.64	1.03%
ii)	Value of indigenous raw materials, spare parts and components consumed	40,141.26	98.88%	34,545.06	98.97%
		40,596.93	100.00%	34,903.70	100.00%

d) Details of non-resident shareholdings		
i) Number of nonresident share holders	414	388
ii) Number of shares held by nonresident shareholders	2,323,244	2,208,728
e) Earnings in foreign exchange:		
i) Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	3,887.24	4,336.83
ii) Dividends received	8.52	6.52
iii) Remittances from overseas offices (Net)	902.45	289.42
34 Earnings per share:		
(Basic and diluted)		
(a) Before exceptional item		
Loss for the year after tax expense	5,268.22	10,591.32
Weighted average number of equity shares	53,528,495	50,565,063
Loss per share (Basic & Diluted) (*)	9.84	20.95
(b) After exceptional item		
Loss for the year after tax expense	3,113.04	12,974.63
Weighted average number of equity shares	53,528,495	50,565,063
Loss per share (Basic & Diluted) (*)	5.82	25.66

(*) Effect of potential eqiuty shares is antidilutive

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-560 055

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

35 (a) The order of the honourable 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 honourable High Court of Karnataka, assessed by the appropriate authority as directed by the honourable 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 erstwhile 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 if any, is not expected to be material.

38 The customers of the Company had deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made 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 had 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 Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis. The management has also formed a task force for liquidation of slow/non moving inventories in respect of which provision for inventories has been estimated and made. Any further adjustments required to the financial statements if any, 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 after considering the provision made and any shortfall in realisability is not expected to be material.

41 Current assets, loans and advances include ₹ 268.17 Lakhs (as at March 31, 2015 ₹ 268.17 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 a 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, 2016 and accordingly, recognition of expense in this respect and requisite disclosures are not applicable.

B K RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

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:

Particulars	(₹ in Lakhs)	
	Current Year	Previous Year
Employer's contribution to provident & pension funds	335.20	354.54
Employer's contribution to superannuation fund	45.44	105.03

(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.

1 Reconciliation of opening and closing balances of defined benefit obligation:	(₹ in lakhs)			
	As at March 31, 2016		As at March 31, 2015	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
Defined Benefit obligation at beginning of the year	2,490.09	529.10	2,489.47	478.30
Current Service Cost (*)	112.38	36.38	123.51	42.62
Interest Cost	184.64	41.80	200.91	44.24
Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	(164.51)	-
Actuarial (gain)/ loss	12.60	10.54	150.96	(36.06)
Benefits Paid	(366.62)	(132.78)	(310.25)	-
Defined Benefit obligation at end of the year	2,437.49	485.04	2,490.09	529.10
2 Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	1,310.95	160.80	1,469.03	147.52
Expected return on plan assets	103.57	12.70	138.09	12.02
Employer Contribution	16.89	-	34.66	-
Benefits paid	(366.62)	-	(310.25)	-
Actuarial gain/(loss)	(11.07)	0.73	(20.58)	1.26
Fair value of plan assets at year end	1,053.72	174.23	1,310.95	160.80
Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	1,053.72	174.23	1,310.95	160.80
Present value of obligation	2,437.49	485.04	2,490.09	529.10
Amount recognized in Balance Sheet under liabilities:	1,383.77	310.81	1,179.14	368.30
Expense recognized during the year: (under "Note 28" Employee Benefit Expenses" in the Statement of Profit and Loss)	Current Year		Previous Year	
Current Service Cost	112.38	36.38	123.51	42.62
Interest Cost	184.64	41.80	200.91	44.24
Expected return on plan assets	(103.57)	(12.70)	(138.09)	(12.02)
Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	(164.51)	-
Actuarial (gain)/ loss	23.67	9.81	171.54	(37.32)
Net Cost	221.52	75.28	193.36	37.52
Actuarial assumptions:	As at March 31, 2016		As at March 31, 2015	
Mortality Table	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)
Discount rate (per annum)	7.99%	7.99%	7.90%	7.90%
Expected rate of return on plan assets (per annum)	7.99%	7.99%	7.90%	7.90%
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

(*) Leave provision for current year includes provision for short term compensated absence as assessed by the actuary.

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.

3 Present value of DBO, Fair Value of Plan Assets, Deficit/(Surplus), Experience Adjustments for current and earlier periods of Gratuity (Funded):					
	2015-16	2014-15	2013-14	2012-13	2011-12
Defined benefit obligation at the end of the period	(2,437.49)	(2,490.09)	(2,489.47)	(2,707.63)	(2,383.95)
Plan assets at end of the period	1,053.72	1,310.95	1,469.03	1,764.41	1,669.97
Funded status	(1,383.77)	(1,179.14)	(1,020.44)	(943.22)	(713.98)
Experience Gain/ (loss) adjustments on plan liabilities	(24.27)	23.38	62.47	198.12	59.55
Experience Gain/ (loss) adjustments on plan assets	(11.07)	(20.58)	(10.38)	(9.22)	(5.48)
Actuarial gain/ (loss) due to change in assumptions	11.67	(174.33)	(164.81)	79.31	70.97

44 SEGMENT REPORTING:

The Company has not furnished segment report since same has been furnished in the consolidated financial statements, as referred to para 4 of Accounting Standard 17 issued by Central Government

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

45 RELATED PARTY TRANSACTIONS:

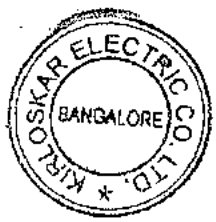
(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirsons B V (upto 04 March 2015) Luxquisite Parkland Private Limited SLPKG Estate Holdings Private Limited SKG Terra Promenade Private Limited KELBUZZ Trading Private Limited Kesvik Developers Private Limited Swaki Habitat Private Limited	Wholly Owned Subsidiary
2	Kirsons B V (w.e.f 05 March 2015) Lloyd Dynamowerke GmbH & Co. KG (refer Note 49) Lloyd Beteiligungs GmbH	Step down subsidiary
3	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Vinayak Narayan Bapat Mr. Anand B Hunnur Soumendra Kumar Mahapatra (from June 30, 2015) Chinmoy Pattnaik (from November 28, 2015) Ms. K S Swapnalatha (up to June 30, 2015) Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives ("KMP")
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
5	Senapathy Whiteley Private Limited. (upto November 5, 2015) Senapathy Symons Insulation Pvt Ltd. (upto November 5, 2015) Transport Corporation of India Maini Material Movement Private Limited Best Trading & Agencies Limited (upto November 28, 2014) Bangalore Motors Private Limited Batliboi Limited Bhagyanagar India Limited Bhoruka Agro Business Private Limited Bhoruka Cogen Power Private Limited Bhoruka Park Private Limited Bhoruka Power Corporation Limited Bhoruka Power Investments India Private Limited Bhoruka Steel And Services Limited Bhuruka Gases Investments India Private Limited Bhuruka Gases Limited Crest Construction Private Limited Edutech Nttf India Private Limited Fish-N-Chips Hotels Private Limited Gove Finance Limited Hotel Pearls Private Limited Indian Electrical And Electronics Manufacfturers Association Janaadhar (India) Private Limited Jubilant Life Sciences Limited Karnataka Coffee Brokers Private Limited Keasirobicon Industrial Systems Private Limited Kirloskar Power Build Gears Limited Lakshmi Ring Travellers (Coimbatore) Limited Mitsubishi Heavy Industries-Vst Diesel Engines Private Limited MRF Limited NCL Industries Ltd Nettur Technical Training Foundation Parinaam Foundation Pearls Estates Private Limited Pepper Ridge Bio-Solutions Llp Pharmed Limited Pinnae Feeds Limited Prabhu Structures Holdings Private Limited Prabhu Structures Investment India Private Limited Quippo Infrastructure Equipment Limited Reliance Industries Limited Servion T Global Solutions Limited Shahapur Power Limited Sporturf Construction (India) Private Limited Sundaram -Clayton Limited TCI Industries Limited Teleradiology Solutions Private Limited The Waterbase Limited V P Mahendra Brothers Investments Private Limited V.S.T. & Sons Private Limited V.S.T. Auto Ancilleries Private Limited V.S.T.Auto Parts Private Limited V.S.T.Motors Private Limited VST Holdings Private Limited VST Tillers Tractors Limited Lakshmanan Isola Private Limited (upto November 5, 2015)	Enterprises which are related parties as per section 2(76) of the Companies Act, 2013. ("Others-A")

6	Kirloskar Batteries Private Limited Kirloskar Power Equipment 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-B")

(b) Transactions with the related parties (₹ in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others-B	45.43	35.85
Sri Vijayadurga Investments and Agencies Private Limited		93.32	93.64
Ravindu Motors Private Limited		1.78	1.25
Abhiman Trading Company Private Limited		90.22	104.28
Kirloskar electric Charitable Trust		-	5.17
Senapathy Whitley Private Limited	Others-A	0.32	-
lakshmanan Isofa Private Limited		34.45	56.06
Transport Corporation of India		141.65	299.07
Sale of goods and services:			
KELBUZZ Trading Private Limited	Subsidiary	-	45.68
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	-	509.98
Kirloskar (Malaysia) Sdn. Bhd	Associates	148.43	413.37
Ravindu Motors Private Limited	Others-B	7.63	-
Kirloskar Electric Charitable Trust	Others-B	-	0.38
Senapathy Whitley Private Limited	Others-A	1.50	-
Sale of Assets/Investment:			
KELBUZZ Trading Private Limited	Subsidiary	-	5,088.00
Luxquisite Parkland Private Limited - Sale of Investments		-	6,063.00
SKG Terra Promenade Private Limited		-	3,450.00
SLPKG Estate Holdings Private Limited		-	5,518.00



Sale of Receivables:			
KELBUZZ Trading Private Limited	Subsidiary	-	4,759.69
SLPKG Estate Holdings Private Limited		-	4,300.07
Sale of Fixed Asset:			
Ravindu Motors Private Limited	Others-B	-	305.59
Rent paid			
Kirloskar Power Equipment Limited	Others-B	45.05	60.00
Vijayjyothi Investments and Agencies Private Limited		78.39	78.00
Remuneration paid:			
Vijay R Kirloskar*	KMP	106.68	214.82
Vinayak Narayan Bapat*		73.01	50.09
Anand B Hunnur*		45.70	21.95
Swapna Latha*		5.99	20.72
Alok Kumar Gupta*		-	5.00
Soumendra Kumar Mahapatra*		23.75	-
Chinmoy Pattnaik*		8.70	-
Janaki Kirloskar*		2.02	3.57
Rukmini Kirloskar*		5.86	5.98
Meena Kirloskar (Sitting Fees)		1.50	1.35
Interest paid			
Vijay R Kirloskar	KMP	-	2.86
Vijayjyothi Investments and Agencies Private Limited	Others-B	-	8.21
KEC Executives & Others Officers Welfare Trust		-	0.20
KEC Officers & Engineers Welfare Trust		-	0.20
KEC Vice Presidents Welfare Trust		-	0.26
KEC Engineers of Mysore Unit Welfare Trust		-	0.06
Investments made			
Kirsons B V	Subsidiary	-	3,360.50
KELBUZZ Trading Private Limited		-	404.55
Luxquisite Parkland Private Limited		-	6,064.00
SKG Terra Promenade Private Limited		-	1.00
SLPKG Estate Holdings Private Limited		-	9.00
Kesvik Developers Private Limited		1.00	-
Swaki Habitat Private Limited		1.00	-
Issue of Shares to Vijay R Kirloskar	KMP		
Issue of Equity shares		-	765.82
Share Premium		-	543.34
Issue of CCPS		-	1,595.89
Conversion of CCPS into equity shares			
Issue of Equity shares		255.42	
Share Premium		522.07	
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP	-	100.00
KEC Engineers of Mysore Unit Welfare Trust	Others-B	-	5.00
KEC Executives & Others Officers Welfare Trust		-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
Inter company deposit accepted:			
Best Trading & Agencies Limited	Others A	-	2,222.00
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others-B	-	74.20
Best Trading & Agencies Limited	Others-B	-	345.00
Reimbursement of expenses by company to subsidiary			
KELBUZZ Trading Private Limited	Subsidiary	310.06	63.74
Luxquisite Parkland Private Limited		10.17	50.30
SKG Terra Promenade Private Limited		233.46	0.13
SLPKG Estate Holdings Private Limited		597.46	0.14
Kesvik Developers Private Limited		0.14	-
Swaki Habitat Private Limited		0.13	-

* 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

S.K. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-560

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

(Rs. in Lakhs)

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due to Company:			
KELBUZZ Trading Private Limited	Subsidiary	5,765.51	5,790.60
Luxquisite Parkland Private Limited		60.47	50.30
SKG Terra Promenade Private Limited		3,683.60	3,450.13
SLPKG Estate Holdings Private Limited		5,440.89	9,305.64
Kesvik Developers Private Limited		0.14	-
Swaki Habitat Private Limited		0.13	-
Kirloskar (Malaysia) Sdn. Bhd	Associate	151.29	-
Kirloskar Power Equipment Limited	Others-B	180.00	180.00
Vijay Farms Private Limited		192.64	192.36
Sri Vijayadurga Investments and Agencies Private Limited		19.20	33.46
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited		0.14	0.14
Maini Materials Movement Pvt Ltd.,		10.97	
Transport Corporation of India Ltd,		0.24	
Abhiman Trading Company Private Limited		98.97	98.97
Kirloskar Batteries Private Limited		2.69	2.69
Amount due from Company:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	179.46	133.36
Senapathy Whitley Private Limited	Others-A	-	94.59
lakshmanan Isola Private Limited		-	18.28
Transport Corporation of India		71.07	98.11
Kirloskar Batteries Private Limited	Others-B	14.36	11.86
Kirloskar Electric Charitable Trust		-	5.00
Kirlokar Power Equipment Limited		203.26	162.91
Vijay Farms Private Limited		5.68	7.51
Vijayjyothi Investments and Agencies Private Limited		108.34	66.89
Abhiman Trading Company Private Limited		26.63	28.95
Sri Vijayadurga Investments and Agencies Private Limited		10.34	20.17
Ravindu Motors Private Limited		0.14	0.81
Investment held			
KELBUZZ Trading Private Limited	Subsidiary	404.55	404.55
Luxquisite Parkland Private Limited		6,064.00	6,064.00
SKG Terra Promenade Private Limited		1.00	1.00
SLPKG Estate Holdings Private Limited		9.00	9.00
KESVIK DEVELOPERS PRIVATE LIMITED		1.00	-
SWAKI HABITAT PRIVATE LIMITED		1.00	-
Guarantees given by the Company and outstanding at the end of the year for the loan taken by:			
KELBUZZ Trading Private Limited	Subsidiary	4,005.81	3,566.71
SLPKG Estate Holdings Private Limited		2,588.31	-
Guarantees given by the Subsidiary in respect of loan taken by the Company and outstanding at the end of the year:			
SKG Terra Promenade Private Limited	Subsidiary	2,715.00	2,715.00
Guarantees given for the loans taken by the Company and outstanding at the end of the year by:			
Vijay R Kirloskar	KMP	20,155.68	15,569.86

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.

S.K. RAMADHYANI & CO. LLP Chartered Accountants BANGALORE 56

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

46 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 ₹ 345.22 Lakhs (Previous Year ₹ 380.14 Lakhs).

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

(₹ in Lakhs)

Sl. No.	Particulars	Provision for Contingencies	Wage Arrears	Short Term Compensated Absences	Warranty Claims
1	Balance outstanding at the beginning of the year	**1,518.14**	**400.24**	**17.11**	**597.90**
		-	245.02	18.61	357.07
2	Provision for the year (net)	**60.00**	**347.55**	**(0.08)**	**1.87**
		1,518.14	155.22	(1.50)	240.83
3	Balance outstanding at the end of the year	**1,578.14**	**747.79**	**17.03**	**599.77**
		1,518.14	400.24	17.11	597.90

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abundant caution an estimated provision as been made for contingencies as held in respect of ongoing litigations as detailed in note 23 and certain probable liability including in respect of customers.

48 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2016 are as under:

Particulars	As at March 31, 2016		As at March 31, 2015	
	FCY	₹ in Lakhs	FCY	₹ in Lakhs
Assets (Receivables)	**USD 1,099,053**	**822.38**	USD 1,011,350	725.06
	EUR 127,344		EUR 127,676	
			AED 8,994	
			GBP 4,857.00	
Liabilities (Payables)	**USD 664,838**	**638.03**	USD 814,644	766.07
	EUR 248,884		EUR 284,420	
	AED 47,349		AED 363,284	

49 During the previous year the Company promoted the following wholly owned subsidiaries namely Kelbuzz Trading Private Limited ("KTPL"), SLPKG Estates Holdings Private Limited ("SEHPL"), SKG Terra Promenade Private Limited ("STPPL") and Luxquisite Parkland Private Limited ("LPPL"). During the year the Company has promoted two more wholly owned subsidiaries namely Kesvik Developers Private Limited ("KDPL") and Swaki Habitat Private Limited ("SHPL"). Further the Company has provided corporate gaurantee to the banks in respect of term loans given to KTPL and SEHPL (Refer Note 23(a)(xvi)).

50 As reported in the previous year Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses in earlier years, thereby eroding its net worth and consequent to the actions of local directors of LDW, insolvency administrator was appointed by the court in Germany during the preceding year. The Company has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the Company, in spite of its best efforts. The Company has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B V (immediate holding company of LDW). The Company has also appointed a local legal counsel to represent its interest and has filed certain claims. The legal proceedings are in progress in Germany. However the Company does not expect any material impact on the financial statements due to the same.

51 KTPL, SEHPL and STPPL, wholly owned subsidiaries of the Company have incurred losses during the year and a part/ whole of their net worth have been eroded. However having regard to the estimated fair value of the assets which these Companies hold, the diminution in value has been considered as temporary and no provision has been recognised in the financial statements.

B K RAMADHYANI & CO LLP BANGALORE Chartered Accountants

KIRLOSKAR ELECTRIC CO LTD. BANGALORE

52 a) As a measure of restructuring and with the consent of the lending banks under the Joint Lender Forum (JLF) mechanism, the Company had transferred in the preceding year certain assets comprising of immovable properties, receivables and inventory to KTPL, STPPL and SEPL, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts transferred / to be transferred by the Company. The amounts outstanding and due from the said subsidiaries as at March 31, 2016 in respect of the transfer of the assets as mentioned above totally amount to ₹ 14,950.73 lakhs (previous year ₹ 18,452.51 Lakhs). These subsidiaries are taking active steps to repay the dues of the Company, from collection of debts assigned and from disposal of assets transferred apart from debts transferred / to be transferred as referred above. These subsidiaries have been sanctioned credit facilities to an aggregate extent of ₹ 500 lakhs (net of amounts drawn). The board of directors of the Company are confident of recovery of the entire amounts due from the said subsidiaries.

b) The sale of the immovable properties referred above shall be carried out under the supervision of the Asset Sale Committee. The Lenders shall constitute the Asset Sale Committee.

53 The net worth of the group in terms of the CFS presented consisting of the Company, its subsidiaries and its associate is eroded. The Company and its components have initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, introduction of value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Company on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

54 The Company has filed before the honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of ₹ 527 lakhs and ₹ 362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honourable 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.

55 The Company during the previous year restructured its loans under Joint Lenders Forum mechanism ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 would be converted into Funded Interest Term Loan. Consequently the joint deed and other documentation was duly completed as permitted in the extant guidelines of the JLF mechanism. A Master Restructuring Agreement ("MRA") has been entered by the Company and its Lenders, Bank of India" being the lead bank on June 30, 2015. In pursuance of the MRA the Company has executed other supplementary agreements including Trust and Retention Agreement ("TRA"). The agreements contain various terms and conditions in respect of the facilities sanctioned to the Company including setting up and reporting to the Monitoring Committee. The lenders shall have the right to convert at its option the whole of the outstanding amount of the facilities and / or part thereof into fully paid up equity shares of the Company in the manner specified in the notice in writing to be given by the Lenders to the Company ("Notice of Conversion") prior to the date on which the conversion is to take effect, which date shall be specified in the notice ("Date of Conversion"). The said shares shall rank parri-passu with the existing equity shares of the Company.

56 The Income Tax Act, 1961 contains provisions for determination of arm's length price for international transactions between the Company and its associated enterprises. 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, 2016, 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.

57 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. LLP
Chartered Accountants
Firm number: 002878S/S200021

CA. Vasuki H S
Partner
Membership No.:212013
Place: Bangalore
Date: May 25, 2016

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance
& Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

Report on the Consolidated Financial Statements:

We have audited the accompanying consolidated financial statements of Kirloskar Electric Company Limited ("the Holding Company"), its subsidiaries and associate (collectively referred to as "the Group") which comprise of the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements:

The Holding Company's Board of Directors are responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("the Rules"). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis of Qualified Opinion:

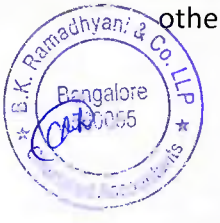
Attention is invited to note 41 to the financial statements regarding debts exceeding two year and considered as good by management estimated at Rs.4,601 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts. We are unable to express an independent opinion on the same.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the matters stated in the basis of qualified opinion paragraph above, the aforesaid consolidated 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 of the state of affairs of the Group as at March 31, 2016, and its loss and its cash flows for the year ended on that date

Other Matters:

a) We did not audit the financial statements of 7 subsidiaries included in these consolidated financial statements. Such financial statements of subsidiaries reflect total assets of Rs.1,109.96 Lakhs as at March 31, 2016, total revenues of Rs. Nil Lakhs and net cash flows of Rs.5.25 lakhs for the year ended on that date, as considered in these consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion on such financial statements as consolidated are based solely on the report of such other auditors.



b) Unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd, an associate in which share of loss of the Group was Rs. Nil Lakhs (restricted to the value of the investments) has been considered for preparation of these financial statements. Unaudited financial statements as received from the said associate has been considered for the purpose of preparation of these consolidated financial statements.

Emphasis of Matter:

(a) Attention of the members is invited to note 53 to the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, even though the net worth of the group, consisting of the Company, its subsidiaries and its associate have been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 55 to the financial statements, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

   c. The consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this report are in agreement with the books of account.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   e. On the basis of the written representations received from the directors as on March 31, 2016 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

i) The Holding Company and its Indian subsidiaries have disclosed its pending litigations in note 27 to the financial statements which would impact its financial position;

ii) The Holding Company and its Indian subsidiaries did not have any long-term contracts as required under the applicable law or accounting standards, for material foreseeable losses. The Holding Company and its Indian subsidiaries has not entered into any derivative contracts.

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. Deepak

(CA C R Deepak)
Partner
Membership No. 215398

Place: Bangalore
Date: May 25, 2016

BK RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
Reg. No. 002878S / S200021
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act"):

In conjunction with our audit of consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal controls over financial reporting of Kirloskar Electric Company Limited ("the Holding Company") and its subsidiary companies which are incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls:

The respective Board of Directors of the Holding Company and its subsidiaries, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility:

Our responsibility is to express an opinion on the Holding Company and its subsidiaries incorporated in India internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company and its subsidiaries incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting:

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion:

In our opinion, the Holding Company and its subsidiary companies which are incorporated in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Other Matters:

Our aforesaid reports under section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 6 subsidiary companies, incorporated in India, are based on the corresponding reports of the auditor of such companies incorporated in India.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. Deepak

(CA C R Deepak)
Partner
Membership No. 215398

Place: Bangalore
Date: May 25, 2016

BK RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
Reg. No. 002878S / S200021
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

KIRLOSKAR ELECTRIC COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No.	As at March 31, 2016 Rs. In lakhs		As at March 31, 2015 Rs. In lakhs	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	7	6,391.78		6,913.85	
(b) Reserves and surplus	8	(25,615.15)		(22,188.65)	
			(19,223.37)		(15,274.80)
(2) Minority interest			4.00		3.00
(3) Non - current liabilities					
(a) Long term borrowings	9	14,484.45		9,078.45	
(b) Other long term liabilities	11	1,481.57		1,770.52	
(c) Long term provisions	12	1,677.55		1,547.44	
			17,643.57		12,396.41
(4) Current liabilities					
(a) Short term borrowings	13	14,422.09		15,681.14	
(b) Trade payables -total outstanding dues of					
(i) micro and small enterprises, and	14(a)	80.83		73.43	
(ii) creditors other than micro and small enterprises	14(b)	18,286.34		18,981.14	
(c) Other current liabilities	15	9,878.77		7,856.25	
(d) Short term provisions	16	2,950.43		3,434.03	
			45,618.46		46,025.99
TOTAL			44,042.66		43,150.60
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	17	8,450.07		8,895.44	
(ii) Intangible assets	17	784.11		922.21	
(iii) Capital work in progress	18	14.25		165.78	
		9,248.43		9,983.43	
(b) Non - current investments	19	81.09		81.09	
(c) Deferred tax assets (net)	10	-		-	
(d) Long term loans and advances	20	1,971.85		2,064.29	
(e) Other non current assets	21	450.50		292.01	
			11,751.87		12,420.82
(2) Current assets					
(a) Inventories	22	9,756.83		9,340.14	
(b) Trade receivables	23	16,832.79		16,556.95	
(c) Cash and bank balances	24	2,620.52		2,010.84	
(d) Short term loans and advances	25	1,222.84		1,031.84	
(e) Other current assets	26	1,857.81		1,790.01	
			32,290.79		30,729.78
TOTAL			44,042.66		43,150.60

Significant accounting policies and notes attached form an integral part of the financial statements — 1 to 6, 27, 39 to 58

In Accordance with our report attached

For B K Ramadhyani & Co.LLP,
Chartered Accountants
Firm number: 002878S/S200021

C.R. Deepak

CA. C R Deepak
Partner
Membership No: 215598
Bangalore
Date: May 25, 2016.

B.K. RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

KIRLOSKAR ELECTRIC COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	Note No.	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
I	Revenue from operations	28		54,775.15		51,034.64
II	Other income	29		353.73		1,300.06
III	**Total revenue (I + II)**			55,128.88		52,334.70
IV	Expenses					
	Cost of materials consumed	30	40,596.93		30,048.89	
	Changes in inventories of finished goods, work in progress and stock in trade	31	355.37		10,594.59	
				40,952.30		40,643.48
	Employee benefits/ expenses	32		7,517.46		7,557.25
	Finance costs	33		4,860.77		4,546.65
	Depreciation and amortization	34		1,205.95		1,208.34
	Other expenses	35		6,696.15		10,887.08
				61,232.63		64,842.80
	Less: expenses capitalised			-		5.57
	Total expenses			61,232.63		64,837.23
V	**Loss before exceptional and extraordinary items and tax (III-IV)**			6,103.75		12,502.53
VI	Exceptional Items	36		(2,155.18)		11,501.35
VII	Loss before tax (V + VI)			3,948.57		24,003.88
VIII	Tax expense:					
	(1) Current tax		-		-	
	(2) Deferred tax		-		-	
				-		-
IX	Loss after tax and before share of income from associates and minority interest			3,948.57		24,003.88
X	Adjustments:					
	Share of loss/(profit) in associates (net of tax)			-		27.85
XI	Loss for the year (IX + X)			3,948.57		24,031.73
XII	Earning per equity share before exceptional item:	38				
	Basic & diluted			(11.40)		(24.78)
XIII	Earning per equity share after exceptional item:	38				
	Basic & diluted			(7.38)		(47.53)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 37, 39 to 58				

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. LLP,
Chartered Accountants
Firm number: 002878S/S200021

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

C.R. Deepak

B.K. RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 58, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Maleswaram,
BANGALORE - 560 055.

CA. C R Deepak
Partner
Membership No.:215398
Bangalore
Date: May 25, 2016

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

KIRLOSKAR ELECTRIC COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
Cash flows from operating activities				
Profit / (Loss) before taxation		(3,948.57)		(24,031.73)
Adjustments for:				
Depreciation and amortisation	1,205.95		1,208.34	
Provisions (net)	26.84		2,819.44	
Profit on sale of fixed assets	(42.51)		307.27	
Share of income from associates	-		27.85	
Exceptional item	(2,155.18)		11,501.35	
Interest income	(95.02)		(107.96)	
Dividends received	(8.52)		(6.78)	
Finance costs	4,860.77		4,546.65	
		3,792.33		20,296.16
		(156.24)		(3,735.57)
(Increase)/ decrease in trade and other receivables	(1,126.34)		(882.89)	
(Increase)/ decrease in inventories	(416.69)		6,070.46	
Increase/ (decrease) in trade payables and other current liabilities	(450.97)		(5,939.46)	
		(1,994.00)		(751.89)
		(2,150.24)		(4,487.46)
Income taxes paid		181.55		46.00
Net cash from operating activities		(2,331.79)		(4,533.46)
Cash flows from investing activities				
Purchase of property, plant and equipment	(166.71)		(1,184.85)	
Proceeds from sale of property, plant and equipment	65.14		1,394.57	
Proceeds from sale of treasury stock	2,155.18			
(Increase)/decrease in other bank balances	(285.77)		1,614.65	
Interest received	95.02		107.96	
Dividend received	8.52		6.78	
Net cash from investing activities		1,871.38		1,939.11
Cash flows from financing activities				
Proceeds from issue of share capital	-		2,405.05	
Proceeds from issue of shares to minority	1.00		3.00	
Proceeds from long term borrowings	6,746.82		1,517.07	
Proceeds from ICD's	495.00		14,856.98	
Repayment of ICD's	(1,339.30)		(14,553.00)	
Fixed deposits from public accepted	567.50		-	
Repayment of fixed deposits from public	(1,715.70)		(1,070.14)	
Increase/ (decrease) of short term borrowings (net)	(412.95)		2,330.87	
Repayment of finance lease obligation	-		(514.40)	
Finance costs	(3,558.05)		(3,932.99)	
Net cash from financing activities		784.32		1,042.44
Net increase/(decrease) in cash and cash equivalents		323.91		(1,551.91)
Cash and cash equivalents at beginning of the year		1,066.40		4,729.65
Adjustment for cash balance on account of loss of control in subsidiary		-		2,111.34
Cash and cash equivalents at end of the year		1,390.31		1,066.40

Cash & 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	2,620.52	2,010.84
Less: Other bank balances	1,230.21	944.44
Cash and cash equivalents as restated	1,390.31	1,066.40

In Accordance with our Report attached

For B K Ramadhyani & Co. LLP,
Chartered Accountants
Firm number: 002878S/S200021

C. R. Deepak

CA. C.R Deepak
Partner
Membership No. 215398
Bangalore
Date: May 25, 2016

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

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 consolidated financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates (collectively referred as "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, 2016. 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 consolidated financial statements of the Group have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

4 PRINCIPLES OF CONSOLIDATION:

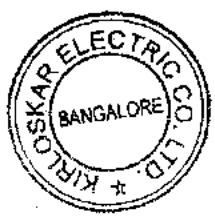
a) The financial statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements .

b) The stepdown 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 & loss.

c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries and associates are recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

d) Investments in associate companies have been accounted under the equity method as per AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

e) 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, 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 amortisation.

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 other than those which are considered as temporary in nature.

5.4 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued at cost on weighted average basis 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:

a) 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.

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

c) Depreciation on assets (other than furniture and fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged on straightline method as per the useful life in Schedule II of the Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold except in case of certain plant & machinery whose useful life is assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straightline basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools different from that specified in Schedule II to the said act are ranging from 1 to 25 years. Assets whose individual value is less than Rs.5,000/- is depreciated fully in the year of addition irrespective of useful life.

Kirsons BV

Depreciation on technical know-how fees is amortised over a period of ten years.

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 products and services are recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, service tax, sales tax, value added tax and trade discounts.

(b) Interest income is recognised on time proportion basis.

(c) Dividend income is recognised, when the 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:

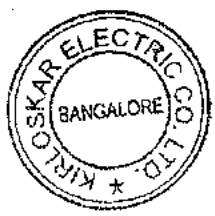
The Company has contributed to provident, pension, superannuation funds and other social security contributions which are defined contribution plans. The contributions paid/ payable under the scheme are recognised during the year in which employee renders the related service.

b) Defined Benefit Plans:

Employees' gratuity is defined benefit plan. 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.

c) Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.



5.10 FOREIGN CURRENCY TRANSACTIONS:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

e) The Company has entered into forward exchange contracts, which are not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

5.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

5.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Statement of Profit & Loss.

5.13 PROVISIONS & 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.

B.K. RAMADHYANI & CO. LLP BANGALORE-56 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

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	Nature of relationship	Country of Incorporation	Proportion of Ownership	
			Current Year	Previous year
Kelbuzz Trading Prive Limited	Subsidiary	India	100%	100%
Luxqusite Parkland Private Limited	Subsidiary	India	100%	100%
SKG Terra Promonede Private Limited	Subsidiary	India	100%	100%
SLPKG Estate Holdings Private Limited	Subsidiary	India	100%	100%
Swaki Habitat Private Limited	Subsidiary	India	100%	-
Kesvik Developers Private Limited	Subsidiary	India	100%	-
Kirsons BV	Subsidiary	The Netherlands	100%	100%
Lloyd Dynomowerke GmbH & Co KG ("LDW")	Subsidiary	Germany	Refer foot notes	Refer foot notes
Lloyd Beteiligungs GmbH	Subsidiary	Germany		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	Associates	Bahrain		
Kirloskar (Malaysia) Sdn.Bhd.	Associates	Malaysia	30%	30%

Foot note:

1 Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses during the previous two years, thereby eroding its net worth. The local directors of LDW filed a preliminary insolvency petition on September 8, 2014 and on September 9, 2014 preliminary insolvency was declared and preliminary insolvency administrator was appointed by the court in Germany.

2 The group has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the group, in spite of its best efforts. The group has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B V (immediate holding company of LDW). The group has also appointed a local legal counsel to represent its interest, prepare a case for recovering damages and file a case against the lenders of LDW and few other parties.

3 As per German law from the date of filing preliminary insolvency petition, all disposals by LDW may be executed/made only with the consent of the insolvency administrator. The group has been advised that from a German legal perspective, Kirsons BV (wholly owned subsidiary of the Company) lost control over LDW on September 8, 2014 and is not in a position any longer to obtain any economic benefits from such activities, although it continues to be the major shareholder of LDW. Further, the insolvency administrator has already disposed off all significant assets, patents, estates, orders and employees of LDW to the South Korean Company and mere distribution of assets of LDW amongst its creditors is pending. The group has been given to understand that the financial statements of LDW, for the period from April 1, 2014 to September 8, 2014 and thereafter have not been prepared. Accordingly, these consolidated financial results (CFS) do not include any transactions of LDW from the year 2014 - 15 onwards. Further, since the group has lost control over LDW during the previous year, all assets and liabilities of LDW as at April 1, 2014 and recognised in the CFS for the financial year 2013 - 14 were derecognised and the resultant deficit (after restoring certain intangible assets transferred from LDW to Kirsons BV in prior years and eliminated in the CFS in the year 2014 - 15 as an intra group transaction) was recognised in the CFS for the year 2014 - 15 as an exceptional item.

4 No financial statements have been received from Llyod Beteillgungs GMBH for the year 2014 - 15 and onwards and accordingly, have not been consolidated in these financial statements. In the opinion of the management, impact of the same will not be material.

B.K. RAMADHYANI & CO. BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC CO. BANGALORE

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Rs in Lakhs	Number	Rs in Lakhs
7 Share capital:				
Authorized: (*)				
Preference Shares of Rs.100/- each	3,000,000	3,000.00	3,000,000	3,000.00
Equity shares of Rs.10/- each	60,000,000	6,000.00	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of Rs.100/- each				
At the beginning of the year	1,595,890	1,595.89		
Issued during the year	-	-	1,595,890	1,595.89
Redeemed during the year (Refer foot note 1.c. below)	777,485	777.49		
At the close of the year	818,405	818.40	1,595,890	1,595.89
Equity shares of Rs.10/- each				
At the beginning of the year	53,179,567	5,317.96	50,521,367	5,052.14
Issued during the year	2,554,156	255.42	2,658,200	265.82
At the close of the year	55,733,723	5,573.38	53,179,567	5,317.96
Total		6,391.78		6,913.85

(*) The Company had passed resolution approved by the members at the 68th Annual General Meeting held on September 28, 2015 increasing the Authorised Share Capital of the company from ₹ 900,000,000/- (Rupees Ninety Crores) divided into 60,000,000 (Six Crores) Equity Shares of ₹ 10/- each and 3,000,000 (Thirty Lakhs) Preference Shares of ₹ 100/- each to ₹ 1,650,000,000/- (Rupees One Hundred and Sixty Five crores) divided into 90,000,000 (Nine Crores) Equity Shares of ₹ 10/- each and 7,500,000 (Seventy Five Lakhs) Preference Shares of ₹ 100/- each. However the Company did not act on such increase in authorised share capital and consequently not made any payment of stamp duty. Subsequently the Company has convened an Extra Ordinary General Meeting on June 24, 2016 vide a notice dated May 18, 2016 where a resolution has been proposed that the above resolution passed shall stand cancelled, be treated as void ab initio, and not to take effect. The said notice has proposed to increase the authorised share capital of the Company to Rs 1,150,000,000/- (Rupees One Hundred and Fifteen Crores) divided into 85,000,000 (Eight Crores and Fifty Lakhs) Equity shares of Rs. 10/- each and 3,000,000 (Thirty Lakhs) Preference shares of Rs. 100/- each. Accordingly, the authorised share capital prevailing prior to the said resolution passed on September 28, 2015 has been shown in this note.

Foot notes

1 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, 2016		As at March 31, 2015	
	Number	Rs in Lakhs	Number	Rs in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	1,547,182	1,547.18	2,376,746	2,376.75

c. During the financial year 2014-15 Company had issued and allotted 1,595,890 (Fifteen lakh ninety five thousand eight hundred and ninety) Compulsory Convertible Preference Shares ("CCPS") of Rs. 100/-(Rupees one hundred), to Mr. Vijay R Kirloskar (Promoter) by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% (zero point one per cent) per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of Rs. 10/- each for cash at a premium of Rs. 20.44 (Rupees twenty and fourty four paise), (the rate of Rs. 30.44/- per equity share as approved in principle by the stock exchanges) in two tranches in accordance with the SEBI (ICDR) Regulations, 2009 as amended form time to time. Such issue and allotment of equity shares resultant on conversion of the preference shares will be made at such time or times as determined by the Board in such manner as the Board may in its absolute discretion think fit at the time of conversion. Accordingly 777,485 Preference shares were converted into 2,554,156 equity shares of Rs. 10/- each for cash at a premium of Rs. 20.44 (Rupees twenty and fourty four paise) as per the first tranche on February 11, 2016.

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

	As at March 31, 2016		As at March 31, 2015	
	Number	Percentage	Number	Percentage
Vijay R Kirloskar	818,405	100.00	1,595,890	100.00

For R K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-55

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Rs in Lakhs	Number	Rs in Lakhs
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. (Refer foot note 2.c. below).	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii) Shares allotted 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.	**2,000,000**	**200.00**	2,000,000	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.	**6,000,000**	**600.00**	6,000,000	600.00
(iv) Shares allotted during the year 2014-15 to Vijay R Kirloskar at a premium of Rs 20.44 per share	**2,658,200**	**265.82**	2,658,200	265.82
(v) Shares allotted during the year 2015-16 to Vijay R Kirloskar at a premium of Rs 20.44 per share by conversion of CCPS.	**2,554,156**	**255.42**	-	-

c The KECL Investment Trust had during the year, sold 6,174,878 equity shares of Rs. 10/- each of the Company for which the Company is the sole beneficiary in terms of scheme of arrangement approved by the honorable High Court of Karnataka under section 391-394 of the Companies Act 1956 in an earlier year. The resultant profit of Rs. 2,155.32 lakhs (net of STT, service tax, exchange transaction charges, SEBI transaction fees and stamp duty charges) is considered as an extraordinary item.

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

		As at March 31, 2016		As at March 31, 2014	
		Number	Percentage	Number	Percentage
(i)	Abhiman Trading Company Private Limited	**5,217,063**	**9.36%**	5,217,063	9.81%
(ii)	Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**7.64%**	4,257,682	8.01%
(iii)	KECL Investment Trust	**-**	**0.00%**	6,174,878	11.61%
(iv)	Mr. Vijay Ravindra Kirloskar	**9,125,625**	**16.37%**	6,571,469	12.36%
(v)	Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**5.50%**	3,064,094	5.76%
(vi)	Vijay Farms Private Limited	**3,540,807**	**6.35%**	3,540,807	6.66%

B.K. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
8 Reserves and surplus:		
a) **Capital reserve**		
At the beginning of the year	18.06	2,039.35
Adjustments during the year	-	(2,021.29)
At the close of the year	**18.06**	**18.06**
b) **Securities premium reserve**		
At the beginning of the year	543.34	-
Received during the year (refer foot note 1.c. to Note 7)	**522.07**	543.34
At the close of the year	**1,065.41**	**543.34**
c) **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**
d) **Debenture redemption reserve**		
At the beginning of the year	-	494.00
Transferred to Surplus	-	(494.00)
At the close of the year	-	-
e) **Revaluation reserve**		
At the beginning of the year	**208.66**	480.41
Tranferred to general reserve	-	(271.75)
At the close of the year	**208.66**	**208.66**
f) **Foreign Currency translation reserve**		
At the beginning of the year	-	3,823.61
Adjustments during the year	-	(3,823.61)
At the close of the year	-	-
g) **Capital Reserve on consolidation**	**54.78**	54.78
h) **Reconstruction Reserve**		
At the beginning of the year	**641.67**	641.67
At the close of the year	**641.67**	**641.67**
i) **Reserve for doubtful debts**		
At the beginning of the year	**90.00**	90.00
At the close of the year	**90.00**	**90.00**
J) **General Reserve**		
At the beginning of the year	-	-
Transferred from Revalution reserve	-	271.75
Transferred to statement of profit & loss	-	(271.75)
At the close of the year	-	-
k) **Surplus i.e. balance in statement of profit and loss**		
At the beginning of the year	**(26,146.91)**	(2,812.06)
Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets whose remaining useful life is Nil as on April 1, 2014	-	(68.87)
Transferred from debenture redemption reserve	-	494.00
Transferred from general reserve	-	271.75
Transferred from Statement of Profit and Loss	**(3,948.57)**	(24,031.73)
At the close of the year	**(30,095.48)**	**(26,146.91)**
TOTAL CLOSING BALANCE	**(25,615.15)**	**(22,188.65)**

B K RAMADHYANI & CO. BANGALORE 55 Chartered Accountants
KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
9 Long term borrowings:		
1) Secured loans:		
Term Loan from a banks	**15,201.30**	7,101.45
	15,201.30	7,101.45
Less:		
Current maturities	**1,278.55**	-
	13,922.75	7,101.45
2) Unsecured loans:		
Fixed deposits	**2,746.70**	3,893.10
	2,746.70	3,893.10
Less:		
Current maturities	**2,185.00**	1,916.10
	561.70	1,977.00
3) Total long term borrowings (1+2)	**14,484.45**	9,078.45

Additional Information:

1) **Details of security for secured loans:**		
a. Working capital term loans and funded interest term loan from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans are guaranteed by the Executive Chairman of the Company.	**8,607.18**	3,601.45
b. Term loan from Axis Bank is secured against first pari passu charge on current assets of Kelbuzz Trading Private Limited ("KTPL") and Equitable Mortgage of immovable properties held in the name of KTPL and guaranteed by the Executive Chairman of the Company and Corporate guarantee the Company.	**4,005.81**	3,500.00
c. Term loan from consortium banks is secured against first pari passu charge on entire current assets of SLPKG Estate Holdings Private Limited ("SEHPL") and Equitable Mortgage of immovable properties hedl by SEHPL and guaranteed by the Executive Chairman of the Company and Corporate Guarantee of the Company.	**2,588.31**	-
2) Terms of repayment of term loans and others		
a) From Bank:		
i) Working Capital Term loans from consortium banks carry an interest of 11% (base rate of Bank of India plus 75 basis points) P.A and repayable in 96 equal monthly instalments starting from April 30, 2016.	**6,692.60**	2,886.00
ii) Funded Interest Term loans from consortium banks carry an interest of 11% P.A (base rate of Bank of India plus 75 basis points) and repayable in 60 equal monthly instalments starting from April 30, 2016.	**1,914.58**	715.45
iii) Loan taken by KTPL is repayable at the end of 30th month from the date of disbusement and carrry an interest of 11.50% p.a.	**4,005.81**	3,500.00
iv) Loan taken by SEHPL is repayable with in 36 months from the date of disbursement and carries an interest of 11% p.a.	**2,588.31**	-

b) Unsecured Loans:

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

ii) Fixed deposits include Rs.224.10 Lakhs (as at March 31, 2015 Rs.18.10 Lakhs) matured and unclaimed.

B K RAMADHYANI & CO. BANGALORE Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
10 Deferred tax:		
i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,701.00**	1,864.82
Total	**1,701.00**	1,864.82
ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**1,525.09**	1,313.66
b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to deferred tax liability)	**175.91**	551.16
Total	**1,701.00**	1,864.82
Net Deferred tax (liability)/asset	**-**	-
11 Other Long term liabilities:		
Security deposits from suppliers, dealers etc	**1,481.57**	1,770.52
	1,481.57	1,770.52
12 Long term provisions:		
Employee defined benefit plans (refer note 47)	**1,677.55**	1,547.44
	1,677.55	1,547.44

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
13 Short term borrowings:		
1) Secured loans:		
a) Loans repayable on demand		
- from banks	**11,548.50**	11,968.41
b) Loan against pledge of fixed deposit from bank	**13.87**	6.91
	11,562.37	11,975.32
2) Unsecured loans:		
a) Fixed deposits	**5.30**	7.10
b) Inter corporate deposits	**2,854.42**	3,698.72
	2,859.72	3,705.82
Total	**14,422.09**	15,681.14

1) **Details of security for secured loans:**

a) Working capital loans from Lenders as specified in Master Restructuring Agreement ("MRA") are secured against a first pari passu charge by way of hypothecation on all book debts, receivables, stocks, inventories, operating cash flows, commissions, revenues of whatsoever nature and whatever arising (present & future) including Trust and Retention Account, a first pari passu charge by way of mortgage on all of the Company's immovable properties as set out in Schedule VI of MRA, a first pari passu charge by way of pledge of 24,886,143 fully paid equity shares of the Company held by the promoters as specified in MRA. These loans carry an interest rate of 11% (base rate of Bank of India plus 75 basis points) per annum and also guaranteed by the Executive Chairman of the Company.	**8,578.68**	9,233.31
b) Loan from a bank is secured against the equitable mortgage of certain immovable property of the Company, equitable mortgage of immovable properties of SKG Terra Promenade Private Limited, lien on fixed deposit amounting to Rs.175 lakhs and guaranteed by the Executive chairman of the Company. Further it carry an interest of 13.85% p.a.	**2,716.95**	2,735.10
c) Buyers Credit form the bank is secured against first pari passu charge on current assets as primary security, Equitable mortgage of certain immovable properties of the Company, pledge of 24,886,143 promoter's equity shares in the Company as at September 30, 2014 and also guaranteed by the Executive Chairman of the Company. Further it carry an interest linked to LIBOR as agreed from time to time with the bank.	**252.87**	-
d) Against pledge of fixed deposits	**13.87**	6.91

2) **Unsecured loans:**

a) Fixed deposits are taken for a period of 12 months with interest rate of 11.5%

b) Inter corporate deposits are taken for periods ranging between 90 to 360 days with interest rates averaging to 18% per annum.

c) Fixed deposits include Rs.1.50 lakhs (as at March 31, 2015: Rs.7.10 lakhs) matured unclaimed deposits.

B K RAMADHYANI & CO. LLP BANGALORE-65 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

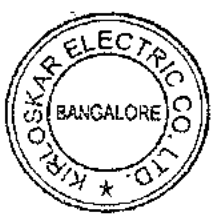
Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
14 Trade payables:		
a) **Total outstanding dues of micro and small enterprises**		
Trade payables	80.83	73.43
	80.83	73.43
b) **Total outstanding dues of creditors other than micro and small enterprises**		
i) Trade payables	11,823.15	14,523.77
ii) Acceptances	6,463.19	4,457.37
	18,286.34	18,981.14

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, 2016	As at March 31, 2015
1	Principal amount due and remaining unpaid	80.83	73.43
2	Interest due on (1) above and the unpaid interest	13.81	20.58
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	38.18	104.48
5	Interest due and payable for the period of delay other than (3) above	2.19	20.58
6	Interest accrued and remaining unpaid	16.00	20.58
7	Amount of further interest remaining due and payable in succeeding years	49.50	33.50

15 Other current liabilities:			
a)	Current maturities of fixed deposit	2,185.00	1,916.10
b)	Current maturities of secured loan from bank	1,278.55	-
c)	Interest accrued but not due on deposits	324.86	375.17
d)	Statutory liabilities	869.48	705.63
e)	Other liabilities	4,029.98	2,789.10
f)	Trade advances	1,190.90	2,070.25
		9,878.77	7,856.25
16 Short term provisions:			
a)	Short term compensated absences	17.03	17.11
b)	Wage arrears	747.79	400.24
c)	Warranty	599.77	597.90
d)	Stamp duty	-	895.38
e)	Taxation (net of advance tax outside India)	7.70	5.26
f)	Contingencies	1,578.14	1,518.14
		2,950.43	3,434.03



KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 Fixed Assets:

Rs in Lakhs

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at April 1, 2015	Additions for the year	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2016	As at April 1, 2015	For the year	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Tangible Assets												
Own assets												
Land	930.47	-	-		930.47	-	-	-		-	930.47	930.47
Building (*)	5,046.20	151.56	-		5,197.76	1,768.65	189.11	-		1,957.76	3,240.00	3,277.55
Plant & equipment	14,301.09	130.41	350.08		14,081.42	10,902.54	631.41	333.59		11,200.36	2,881.06	3,398.55
Tools & Jigs	1,538.91	98.37	11.18		1,626.10	943.64	66.20	10.68		999.16	626.94	595.27
Electrical installations	205.76	0.88	51.43		156.21	130.91	22.13	51.43		101.61	54.60	75.85
Motor vehicles	375.71	164.76	26.54		514.93	311.90	45.32	21.98		335.24	179.69	64.81
Office equipments	119.14	69.66	0.95		187.85	67.02	38.66	0.65		105.03	82.82	52.12
Furniture & fittings	992.57	15.07	30.96		976.68	798.58	50.15	30.18		818.55	158.13	193.99
Leasehold improvements	313.35	-	-		313.35	75.22	10.47	-		85.69	227.66	238.13
Land ($)	68.70	-	-		68.70	-	-	-		-	68.70	68.70
Plant & machinery	1,033.39	-	-		1,033.39	1,033.39	-	-		1,033.39	-	-
	24,927.29	**630.71**	**471.14**	-	**25,086.86**	**16,031.85**	**1,053.45**	**448.51**	-	**16,636.79**	**8,450.07**	**8,895.44**
Intangible assets												
Goodwill	423.46	-	-		423.46	423.46	-	-		423.46	-	-
Computer software	558.61	14.40	-		573.01	471.32	48.14	-		519.46	53.55	87.29
Technical knowhow & product developme	1,087.21	-	-		1,087.21	252.29	104.36	-		356.65	730.56	834.92
	2,069.28	**14.40**	-	-	**2,083.68**	**1,147.07**	**152.50**	-	-	**1,299.57**	**784.11**	**922.21**
Total	**26,996.57**	**645.11**	**471.14**	-	**27,170.54**	**17,178.92**	**1,205.95**	**448.51**	-	**17,936.36**	**9,234.18**	**9,817.65**
	(41,606.20)	*(1,148.34)*	*(3,131.03)*	*(12,626.94)*	*(26,996.57)*	*(25,035.47)*	*(1,277.21)*	*(1,123.60)*	*(8,010.16)*	*(17,178.92)*		

Additional information:

1) (*) Includes Rs.33.37 lakhs being the cost of ownership premises taken in possession for which Society is to be formed.

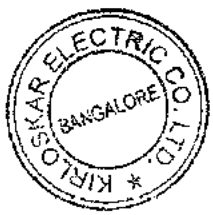
2) ($) Land taken on lease from KIADB aggregates to Rs.68.7C lakhs. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the relevant title will pass to the Company.

3) Management has determined that there is no significat parts for assets whose useful life is different from that of the remaining useful life of the asset in terms of note 4 of Schedule II to the Companies Act, 2013. Accordingly, useful life of significant assets have been determined for the overall asset and not for its individual components.

B K RAMADHYANI & CO. LLP BANGALORE-68 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
18 Capital work in progress:		
i) Building under construction	**14.25**	165.78
	14.25	165.78

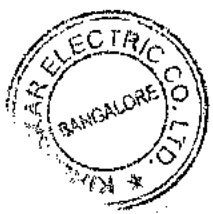


Details of investments	Name of the Company	As at March 31, 2016			As at March 31, 2015		
		No of shares	Face value	Rs. In Lakhs	No of shares	Face value	Rs. In Lakhs
19 Non Current Investments:							
a) Investments in equity instruments:							
i) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	300,000	MR1	-	300,000	MR1	-
ii) Others							
Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	5,405	2	1.00	5,405	2	1.00
	The Mysore Kirloskar Ltd (refer note 3 below)	770,750	10	-	770,750	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	SGD 1	11.20	56,250	SGD 1	11.20
	Kirloskar Power Equipment Ltd	340,000	10	59.09	340,000	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			81.09			81.09

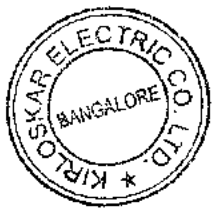
Additional Information:

1)	Aggregate value of quoted investments:		
	Cost	1.00	1.00
	Market Value	12.79	17.04
2)	Aggregate value of unquoted Investments:		
	Cost	80.09	80.09

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

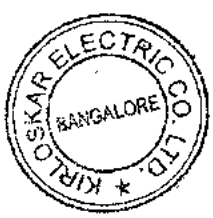


Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
20 Long term loans and advances:		
(Unsecured and considered good)		
i) Capital advances	**94.53**	421.40
ii) Security deposits	**402.47**	435.06
iii) Loans and advances to related parties	**280.00**	135.98
iv) Disputed statutory liabilities/ taxes paid	**1,194.85**	1,071.85
	1,971.85	2,064.29
Included in (iii) above an amount due from a private company in which a director of the Company is a director	**100.00**	100.00
21 Other non current assets:		
(Unsecured and considered good)		
i) Long term trade receivables	**148.26**	173.76
ii) Advance payment of tax (net)	**302.24**	118.25
	450.50	292.01



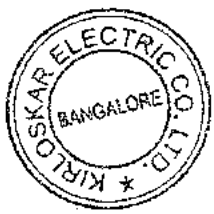
KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
22 Inventories:		
i) Raw materials, stores and spares, components	**1,716.01**	988.17
ii) Work in progress	**5,107.58**	6,803.90
iii) Finished goods	**2,400.47**	1,053.94
iv) Stores and spares	**525.93**	523.05
v) Others (scrap stock)	**17.17**	24.63
Stores and spares		
Goods in transit:		
i) Raw materials	**41.34**	-
ii) Finished goods	**4.27**	2.39
	9,812.77	9,396.08
Less: Provision for non-moving stocks	**55.94**	55.94
	9,756.83	9,340.14
23 Trade receivables:		
i) Trade receivables exceeding six months	**8,011.86**	6,451.32
ii) others	**9,413.10**	10,667.03
	17,424.96	17,118.35
Less: Allowance for doubtful receivables	**592.17**	561.40
	16,832.79	16,556.95
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**16,832.79**	16,556.95
ii) Doubtful	**592.17**	561.40
Total	**17,424.96**	17,118.35
Less:		
Allowance for doubtful receivables	**592.17**	561.40
	16,832.79	16,556.95
2) Amount due by private companies in which directors of the Company are directors	**13.60**	8.48
24 Cash and bank balances:		
a) Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	**1,378.72**	1,056.60
ii) Cash on hand	**11.59**	9.80
	1,390.31	1,066.40
b) Other bank balances:		
i) Balances with banks		
- In short term deposits	**104.15**	104.31
- in margin money, security for borrowings, guarantees and other commitments	**1,126.06**	840.13
	1,230.21	944.44
Total (a + b)	**2,620.52**	2,010.84



KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs
25 Short term loans and advances:		
i) Loans and advances to related parties (refer note 49)	**324.82**	341.91
ii) Others	**1,626.25**	1,066.16
	1,951.07	1,408.07
Less: Allowance for doubtful advances	**728.23**	376.23
	1,222.84	1,031.84
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**1,222.84**	1,031.84
ii) Doubtful	**728.23**	376.23
Total	**1,951.07**	1,408.07
Less:		
Allowance for doubtful advances	**728.23**	376.23
	1,222.84	1,031.84
2) Amounts due by private companies in which directors of the Company are directors	**322.32**	336.45
26 Other Current assets:		
i) Central excise receivable	**596.70**	452.01
ii) VAT receivable	**1,133.24**	1,210.13
iii) Assets held for sale	**793.09**	793.09
iv) Receivables from Subsidiares	**-**	-
	2,523.03	2,455.23
Less:		
Provision for asset held for sale	**665.22**	665.22
	1,857.81	1,790.01



Particulars	As at March 31, 2016 Rs in Lakhs	As at March 31, 2015 Rs in Lakhs

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

a) **Contingent liabilities:**

i)	Claims against the Company not acknowledged as debts	**1,740.51**	1,568.89
ii)	Guarantees	**2,879.21**	2,564.04
iii)	Letters of credit	**8,239.20**	4,185.21
iv)	Bills discounted with Bank	**1,207.81**	1,708.08
v)	Penal damages levied by the Regional Provident Fund commissioner. During a previous year High Court of Karnataka, Bangalore quashed the demand and subsequently also quashed the appeal made by the PF Authorities and referred the matter to the original authority. An amount of Rs. 46.18 lakhs paid has been included in disputed statutory dues and the Company is confident of receiving the refund from the PF authorities.	**Nil**	Nil
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.	**365.54**	303.20
vii)	Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to Rs. 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to Rs.399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of Rs. 658.88 lakhs (as at March 31, 2015 Rs. 643.46 lakhs) against the demand which has been included in disputed statutory dues.	**5,269.65**	5,182.06
viii)	The Company has filed before the Honourable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs. 527 lakhs and Rs. 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company has paid an aggregate amount of Rs. 479.23 lakhs (as at March 31, 2015 Rs. 369.23 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 20.	**889.37**	889.37
ix)	Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	**208.21**	219.10
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	**0.90**	0.90
xiii)	Income tax demands under appeal. The demands are consequential to certain amounts of computed interests being deemed as capital expenditure and certain other disallowances disputed by the Company.	**1,370.49**	238.51
xiv)	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, 2015 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 Company has deposited during the year Rs. 102.80 lakhs with DRAT as directed by the Supreme Court of India and the matter stands re-posted for hearing. The Company does not acknowledge this liability.	**405.60**	405.60
xv)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,164.66**	1,162.50
xvi)	Right to recompense to the lending banks subject to profitability and cash flows of the Company, approximate net present value of recompense as per Master Restructuring Agreement (MRA).	**514.00**	-

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. However as a matter of abundant caution the Compay has recognised a provision for contingencies, to take care of any liabilities that may devolve, as detailed in Note 50.

b) **Commitments**

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**62.58**	**113.65**

B K RAMADHYANI & CO. BANGALORE Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars		Current Year Rs in Lakhs	Previous Year Rs in Lakhs
28 Revenue from operations:			
i)	Sale of products		
	Motors, alternators and generators	30,324.76	28,106.64
	Transformers	13,535.34	16,245.27
	DG sets	10,268.31	5,171.07
	Others	5,408.62	5,128.68
	Total	59,537.03	54,651.66
ii)	Sale of services	845.70	775.36
		60,382.73	55,427.02
	Less:		
	Excise duty	5,607.58	4,392.38
		54,775.15	51,034.64
29 Other income:			
i)	Interest income	95.02	107.96
ii)	Dividend income from non current investments	8.52	6.78
iii)	Profit on sale of fixed assets (net)	42.51	-
iv)	Unclaimed credit balance written back	149.39	89.19
iv)	Rent received	10.30	24.68
v)	Miscellaneous income	47.99	1,071.45
		353.73	1,300.06
30 Cost of materials consumed:			
Consumption of raw materials, components, stores and spare parts		40,596.93	30,048.89
		40,596.93	30,048.89
Additional Information:			
I)	Copper (Wires, strips, rods, sheets etc)	7,345.34	8,194.30
II)	Iron and steel (pigiron, rounds, plates, sheets , etc.,)	7,867.56	6,942.52
III)	Stores and spares	879.29	1,027.44
Iv)	Others	24,504.74	13,884.63
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	3,212.89	5,309.29
	Transformers	1,554.95	965.59
	DG Sets	284.49	499.18
	Others	55.25	29.84
	Total	5,107.58	6,803.90
ii)	Finished goods		
	Motors, alternators and generators	1,277.47	826.65
	Transformers	642.24	123.81
	DG sets	316.29	17.38
	Others	168.74	88.49
	Total	2,404.74	1,056.33
iii)	Scrap	17.17	24.63
		7,529.49	7,884.86
Less: Stocks at the beginning of the year			
i)	Work in progress		
	Motors, alternators and generators	5,309.29	11,852.95
	Transformers	965.59	1,948.40
	DG sets	499.18	1,536.36
	Others	29.84	60.23
	Total	6,803.90	15,397.94
ii)	Finished goods		
	Motors, alternators and generators	826.65	1,862.88
	Transformers	123.81	1,004.67
	DG sets	17.38	29.50
	Others	88.49	180.22
	Total	1,056.33	3,077.27
iii)	Scrap	24.63	4.24
		7,884.86	18,479.45
		355.37	10,594.59

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-560

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars			Current Year Rs in Lakhs		Previous Year Rs in Lakhs
32 Employee benefit expenses:					
i)	Salaries, wages and bonus		6,079.10		5,937.62
ii)	Contribution to provident and other funds		640.68		683.85
iii)	Staff welfare expenses		797.68		935.78
			7,517.46		7,557.25
33 Finance costs:					
i)	Interest expense		4,558.89		4,219.48
ii)	Other borrowing costs		301.88		327.17
			4,860.77		4,546.65
34 Depreciation and amortization:					
i)	Depreciation		1,053.45		1,059.05
ii)	Amortization of intangible assets		152.50		149.29
			1,205.95		1,208.34
35 Other expenses:					
i)	Power and fuel		798.64		780.34
ii)	Rent		345.22		380.14
iii)	Repairs to buildings		87.17		77.72
iv)	Repairs to machinery		236.32		182.52
v)	Repairs to others		331.31		315.87
vi)	Vehicle maintenance		17.94		29.04
vii)	Insurance		29.57		37.28
viii)	Rates and taxes		276.52		1,167.67
ix)	Payment to auditors		64.02		88.70
x)	Selling expenses		1,529.82		1,641.09
xi)	Commission		37.21		72.27
xii)	Warranty claims		248.13		441.25
xiii)	Allowance for doubtful trade receivables		30.77		-
xiv)	Allowance for doubtful loans and advances		352.00		44.08
xv)	Net (gain)/loss on foreign currency transaction and translation		35.19		321.86
xvi)	Bad trade receivables written off	0.30		1,496.36	
	Less: Allowance for doubtful trade receivable withdrawn			810.45	
			0.30		685.91
xvii)	Irrecoverable loans and advances written off	-		29.96	
	Less: Allowance for doubtful loans and advances withdrawn	-		16.99	
			-		12.97
xviii)	Loss on sale of fixed asset (net)		-		307.27
xix)	Donations		0.25		2.20
xx)	Legal and professional charges		452.94		590.55
xxi)	Traveling		534.90		564.31
xxii)	Printing and stationary		50.99		62.58
xxiii)	Postage, telgrams and telephones		127.73		158.66
xxiv)	Directors sitting fees		12.90		13.65
xxv)	Provision for assets held for sale		-		598.50
xxvi)	Provision for contingencies		60.00		1,518.14
xxvii)	Miscellaneous expenses		1,036.21		792.51
			6,696.15		10,887.08

S.K. RAMADIYANI & CO. LLP BANGALORE Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

Particulars		Current Year Rs in Lakhs	Previous Year Rs in Lakhs
36 Extraordinary/ Exceptional item:			
i)	Sale of equity shares held by KECL Investment Trust, [refer note 7 footnote (2(c)]	2,155.18	-
ii)	Loss of control in the subsidiary (refer foot note 3 to note 6)	-	11,501.35
		2,155.18	11,501.35
37 Additional Information: (relating to India operations)			
a) Value of imports calculated on CIF basis:			
i)	Raw Materials, Components and spare parts	417.35	387.40
ii)	Capital goods	13.78	9.53
b) Expenditure in foreign currency: (net of withholding tax)			
i)	Professional, consultancy and other fees	84.45	35.24
ii)	Travel	82.44	99.94

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	455.67	1.12%	358.64	1.03%
ii)	Value of indigenous raw materials, spare parts and components consumed	40,141.26	98.88%	34,545.06	98.97%
		40,596.93	100%	34,903.70	100%

d) Details of non-resident shareholdings			
i)	Number of nonresident share holders	414	388
ii)	Number of shares held by nonresident shareholders	2,323,244	2,208,728
e) Earnings in foreign exchange:			
i)	Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives]	3,887.24	4,336.83
ii)	Dividends received	8.52	6.52
iii)	Remittances from overseas offices (Net)	902.45	289.42

38 Earnings per share:

(i)	*Basic and diluted before exceptional item*		
	Loss for the year after tax expense	3,948.57	24,031.73
	Less:		
	Exceptional item	(2,155.18)	11,501.35
		6,103.75	12,530.38
	Weighted average number of equity shares	53,528,495	50,565,063
	Loss per share	11.40	24.78
(ii)	*Basic and diluted after exceptional item*		
	Loss for the year after tax expense	3,948.57	24,031.73
	Weighted average number of equity shares	53,528,495	50,565,063
	Loss per share	7.38	47.53

The effect of potential equity shares are antidilutive.

B.K. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

39 (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.

(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.

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

41 Confirmation of balances from customers are awaited in certain cases. Accounts with certain parties are under review and reconciliation. Provision has been made to the extent required and further adjustments if any, will be made on completion of review/ reconciliation. The debts exceeding two years and considered good of recovery by the management is estimated at Rs.4,601 lakhs.

42 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.

43 Certain mistakes noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company is in the process of identifying and analysing the differences adjusted/to be adjusted in the books of account on a comprehensive basis. The management has also formed a task force for liquidation of slow/non moving inventories in respect of which provision for inventories has been estimated and made. Any further adjustments required to the financial statements if any, is not expected to be material.

44 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 after considering the provision made and any shortfall in realisability is not expected to be material.

45 Current assets, loans and advances include Rs.268.17 Lakhs (as at March 31, 2015 Rs. 268.17 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.

46 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, 2016 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

B.K. Ramadhyani & Co. LLP Bangalore 560065 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

47 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:

Particulars	(Rs. in Lakhs)	
	Current Year	Previous Year
Employer's contribution to provident & pension funds	335.20	354.54
Employer's contribution to superannuation fund	45.44	105.03

(b) Defined Benefit Plan:

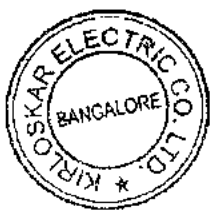
The employees' gratuity fund scheme managed by a trust and leave encashment is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

1	Reconciliation of opening and closing balances of defined benefit obligation:				(Rs. in lakhs)
		As at March 31, 2016		As at March 31, 2015	
		Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
	Defined Benefit obligation at beginning of the year	2,490.09	529.10	2,489.47	478.30
	Current Service Cost (*)	112.38	36.38	123.51	42.62
	Interest Cost	184.64	41.80	200.91	44.24
	Additional provision for increase in limit of gratuity/ in excess of limit	4.40	-	-164.51	-
	Actuarial (gain)/ loss	12.60	10.54	150.96	(36.06)
	Benefits Paid	(366.62)	(132.78)	(310.25)	
	Defined Benefit obligation at end of the year	2,437.49	485.04	2,490.09	529.10
2	Reconciliation of opening and closing balance of fair value of plan assets:				
	Fair value of plan assets at beginning of the year	1,310.95	160.80	1,469.03	147.52
	Expected return on plan assets	103.57	12.70	138.09	12.02
	Employer Contribution	16.89	-	34.66	-
	Benefits paid	(366.62)	-	(310.25)	-
	Actuarial gain/(loss)	(11.07)	0.73	(20.58)	1.26
	Fair value of plan assets at year end	1,053.72	174.23	1,310.95	160.80
3	Reconciliation of fair value of assets and obligations:				
	Fair value of plan assets	1,053.72	174.23	1,310.95	160.80
	Present value of obligation	2,437.49	485.04	2,490.09	529.10
	Amount recognized in Balance Sheet under liabilities:	1,383.77	310.81	1,179.14	368.30
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	112.38	36.38	123.51	42.62
	Interest Cost	184.64	41.80	200.91	44.24
	Expected return on plan assets	(103.57)	(12.70)	(138.09)	(12.02)
	Additional provision for increase in limit of gratuity/ io excess of limit	4.40	-	-164.51	-
	Actuarial (gain)/ loss	23.67	9.81	171.54	(37.32)
	Net Cost	221.52	75.28	193.36	37.52
5	Actuarial assumptions:	As at March 31, 2016		As at March 31, 2015	
	Mortality Table	Indian Assured Lives (2006 -08) (Ultimate)		Indian Assured Lives (2006 -08) (Ultimate)	
	Discount rate (per annum)	7.99%	7.99%	7.90%	7.90%
	Expected rate of return on plan assets (per annum)	7.99%	7.99%	7.90%	7.90%
	Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

(*) Leave provision for current year includes provision for short term compensated absence as assessed by the actuary.

6	Experience Adjustment:	2015-16	2014-15	2013-14	2012-13	2011-12
	Defined benefit obligation at the end of the year	(2,437.49)	(2,490.09)	(2,489.47)	(2,707.63)	(2,383.95)
	Plan assets at the end of the year	1,053.72	1,310.95	1,469.03	1,764.41	1,669.97
	Funded Status	(1,383.77)	(1,179.14)	(1,020.44)	(943.22)	(713.98)
	Experience Gain/(Loss) adjustments on plan liabilities	(24.27)	23.38	62.47	198.12	59.55
	Experience Gain/(Loss) adjustments on plan assets	(11.07)	(20.58)	(10.38)	(9.22)	(5.48)
	Actuarial Gain/(Loss) due to change on assumptions	11.67	(174.33)	(164.81)	79.31	70.97

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.



KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

48 SEGMENT REPORTING:

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.

(Rs. In lakhs)

Sl No.	Particulars	Primary Segment			Total
		Power generation and distribution	Rotating machines group	Others	
1	**Segment Revenues**				
	External Revenues	24,619.64 (22,779.62)	27,288.91 (25,612.62)	2,866.60 (2,642.76)	54,775.15 (51,035.00)
	Intersegment revenues	521.44 (93.72)	1803.95 (998.08)	8.51 (14.82)	2,333.90 (1,106.62)
	Total Revenues	25,141.08 (22,873.34)	29,092.86 (26,610.70)	2,875.11 (2,657.58)	57,109.05 (52,141.62)
2	**Segment Results:** Profit/(Loss) Before Taxation and Interest	958.62 (185.00)	1,058.23 (-1,113.00)	782.30 (736.00)	2,809.15 (-192.00)
	Less: Interest				4,860.77 (4,545.65)
	Less: Depreciation and amortizations				1,205.95 (1,208.34)
3	Unallocable Expenditure				2,846.18 (19,356.95)
4	Unallocable and Other Income (including Extraordinary Items)				2,155.18 (1,300.06)
5	Less: Tax expense				- -
6	Share of Profits/(losses) in the Associates (net)				- (-27.85)
7	Minority Interest - share of losses				- -
	Total Profit/(Loss)				(3,948.57) (-24,031.73)
6	Segment Assets	14,987.96 (9,897.32)	18,967.18 (4,386.95)	-1,581.54 (11,605.64)	32,373.60 (25,889.91)
7	Unallocable Assets				11,669.06 (17,260.69)
8	Segment Liabilities	12,132.35 (10,400.72)	10,932.82 (12,019.06)	739.89 (847.41)	23,805.06 (23,267.19)
9	Unallocable Liabilities				39,456.97 (35,158.21)
10	Capital Expenditure	(325.53)	(148.90)	(1.88)	- (476.31)
11	Unallocated capital expenditure				645.11 (672.03)

(ii) Geographical Segment:

Particulars	Segment revenue by geographical market	
	Current Year	Previous Year
Sales in India	53,834.36	50,608.96
Sales outside India	940.79	425.68
Total	54,775.15	51,034.64

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

	Carrying amounts of segment assets		Additions to fixed assets & intangilbe assets	
	As at March 31, 2016	As at March 31, 2015	Current Year	Previous Year
Located in India	42,668.42	41,312.82	645.11	209.06
Located outside India	1,374.24	1,837.78	-	939.28
Total	44,042.66	43,150.60	645.11	1,148.34

49 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Vinayak Narayan Bapat Mr. Soumendra Mahapatra (from June 30, 2015) Mr. Chinmoy Pattnaik (from November 28, 2015) Mr. Anand B Hunnur Ms. K S Swapnalatha (upto June 30, 2015) Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives ("KMP")
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
3	Senapathy Whiteley Private Limited. (upto November 5, 2015) Senapathy Symons Insulation Pvt Ltd. (upto November 5, 2015) Transport Corporation of India Maini Material Movement Private Limited Best Trading & Agencies Limited (upto November 28, 2014) Bangalore Motors Private Limited Batliboi Limited Bhagyanagar India Limited Bhoruka Agro Business Private Limited Bhoruka Cogen Power Private Limited Bhoruka Park Private Limited Bhoruka Power Corporation Limited Bhoruka Power Investments India Private Limited Bhoruka Steel And Services Limited Bhuruka Gases Investments India Private Limited Bhuruka Gases Limited Crest Construction Private Limited Edutech Nttf India Private Limited Fish-N-Chips Hotels Private Limited Gove Finance Limited Hotel Pearls Private Limited Indian Electrical And Electronics Manufacfturers Association Janaadhar (India) Private Limited Jubilant Life Sciences Limited Karnataka Coffee Brokers Private Limited Keasirobicon Industrial Systems Private Limited Kirloskar Power Build Gears Limited Lakshmi Ring Travellers (Coimbatore) Limited Mitsubishi Heavy Industries-Vst Diesel Engines Private Limited MRF Limited NCL Industries Ltd Nettur Technical Training Foundation Parinaam Foundation Pearls Estates Private Limited Pepper Ridge Bio-Solutions Llp Pharmed Limited Pinnae Feeds Limited Prabhu Structures Holdings Private Limited Prabhu Structures Investment India Private Limited Quippo Infrastructure Equipment Limited Reliance Industries Limited Servion T Global Solutions Limited Shahapur Power Limited Sporturf Construction (India) Private Limited Sri Vijayadurga Investments And Agencies Private Limited Sundaram -Clayton Limited TCI Industries Limited Teleradiology Solutions Private Limited The Waterbase Limited V P Mahendra Brothers Investments Private Limited V.S.T. & Sons Private Limited V.S.T.Auto Ancilleries Private Limited V.S.T.Auto Parts Private Limited V.S.T.Motors Private Limited VST Holdings Private Limited VST Tillers Tractors Limited Lakshmanan Isola Private Limited (upto November 5, 2015)	Enterprises which are related parties as per section 2(76) of the Companies Act, 2013. ("Others-A")

B K RAMADHYANI & CO. BANGALORE-560 001 Chartered Accountants

KIRLOSKAR ELECTRIC CO. LTD. BANGALORE

4	Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Private Limited Kirloskar Electric Charitable Trust Sri Vijayadurga 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-B")

(b) Transactions with the related parties (Rs. in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others B	45.43	35.85
Sri Vijayadurga Investments and Agencies Private Limited		93.32	93.64
Ravindu Motors Private Limited		1.78	1.25
Abhiman Trading Company Private Limited		90.22	104.28
Kirloskar electric Charitable Trust		-	5.17
Lakshmanan Isola Private Limited	Others A	34.45	56.06
Senapathy Whitley Private Limited		0.32	-
Transport Corporation of India		141.65	299.07
Sale of goods and services:			
Kirloskar (Malaysia) Sdn. Bhd	Associates	148.43	413.37
Ravindu Motors Private Limited	Others B	7.63	-
Senapathy Whitley Private Limited		1.50	
Kirloskar Electric Charitable Trust		-	0.38
Rent paid			
Kirloskar Power Equipment Limited	Others B	45.05	60.00
Vijayjyothi Investments and Agencies Private Limited		78.39	78.00
Remuneration paid:			
Vijay R Kirloskar*	KMP	106.68	214.82
Vinayak Narayan Bapat*		73.01	50.09
Anand B Hunnur*		45.70	21.95
Alok Kumar Gupta*		-	5.00
Janaki Kirloskar *		2.02	3.57
Rukmini Kirloskar *		5.86	5.98
K S Swapnalatha *		5.99	20.72
Soumendra Mahapatra*		23.75	-
Chinmoy Pattnaik*		8.70	-
Meena Kirloskar (Sitting Fees)		1.50	1.35
Interest paid			
Vijay R Kirloskar	KMP	-	2.86
Vijayjyothi Investments and Agencies Private Limited	Others B	-	8.21
KEC Executives & Others Officers Welfare Trust		-	0.20
KEC Officers & Engineers Welfare Trust		-	0.20
KEC Vice Presidents Welfare Trust		-	0.26
KEC Engineers of Mysore Unit Welfare Trust		-	0.06
Issue of Shares to Vijay R Kirloskar			
Issue of equity shares	KMP	255.42	265.82
Share premium		522.07	543.34
Issue of CCPS		-	1,595.89
Redeption of CCPS		777.49	
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP		100.00
KEC Executives & Others Officers Welfare Trust	Others B	-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
KEC Engineers of Mysore Unit Welfare Trust		-	5.00
Inter company deposit accepted:			
Best Trading & Agencies Limited	Others A	-	2,222.00
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others B	-	74.20
Best Trading & Agencies Limited	Others A	-	345.00
Interest paid:			
Best Trading & Agencies Limited	Others A	-	24.91
Sale of fixed asset:			
Ravindu Motors Private Limited	Others B	-	305.59

* 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

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

(Rs. in Lakhs)

Particulars	Relationship	As at March 31, 2016	As at March 31, 2015
Amount due to Company:			
Kirloskar (Malaysia) Sdn. Bhd	Associate	151.29	-
Kirloskar Power Equipment Limited	Others B	180.00	180.00
Vijay Farms Private Limited		192.64	192.36
Sri Vijayadurga Investments and Agencies Private Limited		19.20	33.46
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited		0.14	0.14
Maini Materials Movements Private Limited		11.95	-
Transport Corporation of India		0.24	-
Abhiman Trading Company Private Limited		98.97	98.97
Kirloskar Batteries Private Limited		7.96	5.46
Amount due from Company:			
Kirloskar Batteries Private Limited	Others B	14.36	11.86
Kirloskar Electric Charitable Trust		-	5.00
Kirlokar Power Equipment Limited		203.26	162.91
Vijay Farms Private Limited		5.68	7.51
Vijayjyothi Investments and Agencies Private Limited		108.34	66.89
Abhiman Trading Company Private Limited		26.63	28.95
Sri Vijayadurga Investments and Agencies Private Limited		10.34	20.17
Ravindu Motors Private Limited		0.14	0.81
Senapathy Whitley Private Limited	Others A	-	94.59
lakshmanan Isola Private Limited		-	18.28
Transport Corporation of India		71.07	98.11
Guarantees given for the loans taken by the Company and outstanding at the end of the year			
Vijay R Kirloskar	KMP	26,749.80	19,069.86

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.345.22 Lakhs (Previous Year Rs.380.14 Lakhs).

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

(Rs. in Lakhs)

Sl. No.	Particluars	Wage Arrears	Contingencies	Short Term Compensated Absences	Stamp Duty	Warranty Claims
1	Balance outstanding at the beginning of the year	458.85	1,518.14	17.11	895.38	597.90
		(245.02)	(186.41)	(18.61)	(110.40)	(843.75)
2	Provision for the year (net)	288.94	60.00	(0.08)	(895.38)	1.87
		(213.83)	(1,331.73)	(-1.50)	(784.98)	(-245.85)
3	Balance outstanding at the end of the year	747.79	1,578.14	17.03	-	599.77
		(458.85)	(1,518.14)	(17.11)	(895.38)	(597.90)

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abudant caution an estimated provision as been made for contigencies as held in respect of ongoing litigations as detailed in note 27 and certain probable liability.

52 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2016 are as under:

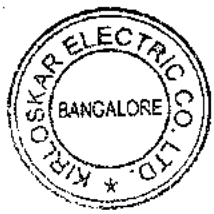
Particulars	As at March 31, 2016		As at March 31, 2015	
	FCY	Rs. in Lakhs	FCY	Rs. in Lakhs
Assets (Receivables)	$ 1,099,052.72	822.38	$ 1,011,349.97	725.06
	€ 127,343.76		€ 127,676.45	
	AED -		AED 8,993.58	
			£ 4,857.00	
Liabilities (Payables)	$ 664,837.88	638.03	$ 814,644.05	766.07
	€ 24,883.96		€ 284,419.87	
	AED 47,348.58		AED 363,283.72	

53 The net worth of the Group has been completely eroded. The Group has initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Group on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

54 The Company during the previous year restructured its loans under Joint Lenders Forum mechanism ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 would be converted into Funded Interest Term Loan. Consequently the joint deed and other documentation was duly completed as permitted in the extant guidelines of the JLF mechanism. A Master Restructuring Agreement ("MRA") has been entered by the Company and its Lenders, Bank of India" being the lead bank on June 30, 2015. In pursuance of the MRA the Company has executed other supplementary agreements including Trust and Retention Agreement ("TRA"). The agreements contain various terms and conditions in respect of the facilities sanctioned to the Company including setting up and reporting to the Monitoring Committee. The lenders shall have the right to convert at its option the whole of the outstanding amount of the facilities and / or part thereof into fully paid up equity shares of the Company in the manner specified in the notice in writing to be given by the Lenders to the Company ("Notice of Conversion") prior to the date on which the conversion is to take effect, which date shall be specified in the notice ("Date of Conversion"). The said shares shall rank parri-passu with the existing equity shares of the Company.

55 The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the parent 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.

56 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, 2016, 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.



KIRLOSKAR ELECTRIC COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

58 Additional information, as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as subsidiary or asso

Name of the Enterprise	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. in Lakhs)	As % of consolidated profit or loss	Amount (Rs. in Lakhs)
Parent				
Kirloskar Electric Company Limited	70.69%	(13,589.53)	80.11%	(3,163.29)
Subsidiaries				
Indian				
1 Kelbuzz Trading Private Limited	20.82%	(4,003.01)	10.88%	(429.57)
2 SLPKG Estates Holdings Private Limited	13.42%	(2,578.85)	6.22%	(245.51)
3 Luxquisite Parkland Private Limited	-0.01%	1.87	0.25%	(10.02)
4 SKG Terra Promenade Private Limited	-0.01%	1.55	0.15%	(5.94)
5 Swaki Habitat Private Limited	0.00%	0.91	0.01%	(0.22)
6 Kesvik Developers Private Limited	0.00%	0.91	0.01%	(0.22)
Foreign				
Kirsons B.V.	-4.93%	946.78	2.38%	(93.80)
Minority Interest in all subsidiaries	0.02%	(4.00)	0.00%	-
Associates (investments as per the equity method)				
Kirloskar (Malaysia) Sdn. Bhd.	0.00%	-	0.00%	-

In accordance with our report attached
For B K Ramadhyani & Co. LLP,
Chartered Accountants
Firm number: 002878S/S200021

C.R. Deepak

CA. C R Deepak
Partner
Membership No.:215398
Bangalore
Date: May 25, 2016

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

Vijay R Kirloskar
Executive Chairman
DIN:00031253

CA. Vinayak Narayan Bapat
Managing Director
DIN:06936639

Kamlesh Gandhi
Director
DIN:00004969

CA. Soumendra Kumar Mahapatra
Vice President -Finance &
Chief Financial Officer

CS. Chinmoy Pattnaik
Associate Vice President - Legal &
Company Secretary

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Report on the Standalone Financial Statements:

We have audited the accompanying standalone financial statements of Kirloskar Electric Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement, and a summary of significant accounting policies and other explanatory information for the year then ended, in which are incorporated the Returns audited by the branch auditors M/s Sundar & Associates, Chartered Accountants of the Kuala Lumpur office of the Company in Malaysia.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the 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 the 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 financial control relevant to the Company's preparation of the financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 qualified audit opinion on the standalone financial statements.

Basis for Qualified Opinion:

Attention of the members is invited to note 54 (a), (b) and (d) of the financial statements, which sets out the sale of certain assets comprising of immoveable property and book debts by the Company to its wholly owned subsidiaries and the consequent recognition of profits resulting therefrom. We have relied on the representation of the management that it is confident of realization of the entire amounts due from the said subsidiaries of Rs 18,452.51 lacs. Ultimate shortfall in realization of assets transferred to its subsidiaries, if any, is not ascertainable at this stage. The transactions between the Company and its wholly owned subsidiaries referred to notes 54 are subject to the approval of the members by way of special resolutions in terms of section 188 of the Companies Act, 2013, rule 15 (2) of the Companies (Meetings of Boards and its Powers), Rules, 2014 and other applicable provisions, if any.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2015, and its loss and its cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements/information of one branch, the Kuala Lumpur office of the Company, included in the standalone financial statements of the Company whose financial statements reflect total assets of Rs. 438.75 lakhs as at 31st March, 2015 and total revenues of Rs.425.68 lakhs for the year ended on that date, as considered in the standalone financial statements. The financial statements of the said office have been audited by the branch auditors (M/s Sundar & Associates, Chartered Accountants) whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Emphasis of Matter:

(a) Attention of the members is invited to note 54 (c) of the financial statements regarding execution of deeds of immovable properties in favour of certain subsidiaries before March 31, 2015, the legal advice obtained by the Company that these properties have already vested in the relevant subsidiaries on the date of execution of the concerned deeds, even though payment of stamp duty and registration will be done subsequently. We have relied on the legal opinion obtained by the Company in this respect and management's representation that the payment of duty will be made within the time limit and registration completed. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 55 of the financial statements, where in the directors have detailed the reasons for compiling the financial statements on a going concern basis, even though the net worth of the group, consisting of the Company, its subsidiaries and its associate has been eroded. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(c) Attention of the members is invited to note 57 of the financial statements which sets out that the Company has filed special leave petitions in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by the section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

   c. The report on the accounts of the Kuala Lumpur office in Malaysia of the Company audited under Section 143 (8) of the Act by branch auditors have been forwarded to us and have been duly dealt with by us while preparing this 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 and with the returns received from the branches not visited by us.

   e. In our opinion, the aforesaid standalone financial statements comply with the

Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

f. On the basis of the written representations received from the directors as on March 31, 2015 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

i The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 to the financial statements;;

ii The Company did not have any long-term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognised in respect of material foreseeable losses under applicable laws or accounting standards.

iii There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company as required to be so transferred and there has been no delay in such remittance.

For B.K.RAMADHYANI & CO. LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

(CA C R KRISHNA)
Partner
Membership No. 027990

Place: Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No 63, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram
BANGALORE - 560 055

ANNEXURE REFERRED TO IN PARAGRAPH 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 program of physical verification. The discrepancies noticed on such verification were not material however the same has been properly dealt with in the books of account.

2. a. Inventories have been physically verified during the year by the management at reasonable intervals.

   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. The Company has not granted any loans to companies, firms and other parties covered in the register maintained under section 189 of the Companies Act, 2013. 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 and services. 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. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 73 to 76 of the Act or any other relevant provisions of the Act and the rules framed there under, 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.

6. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under sub-section (1) of section 148 of the Act 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.

7. a. The Company has been regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Sales Tax, Customs Duty, Value added Tax, Cess and other applicable statutory dues with the appropriate authorities barring delays in certain months ranging up to 5 months in the case of income tax deducted at source, up to 4 months delay in respect of provident fund and up to 2 months delay in Employees' State Insurance, excise duty and service tax. According to the information and explanations given to us, there are no undisputed amounts payable in respect of above mentioned statutory dues were in arrears, as at March 31, 2015 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, the following dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, Value Added Tax, Service Tax and Cess had not been deposited as at March 31, 2015 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	339.07	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 and September 2007	Central Excise and Service Tax Appellate Tribunal

The Central Excise, 1944	Cenvat availment	92.24	June 2006 , January 2008 to April 2010 & October 2008 to April 2010 September 2010 to March 2011	Commissioner of Central Excise (Appeals)
The Customs Act, 1962.	Customs demand	10.53	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	174.13	Assessment Year 2012 – 2013	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	1,190.43	1999 – 2000, 2005-2006 and 2008-2009	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & Maharastra Value Added Tax Act, 2002	Sales tax demand	3,196.41	2010-11	The President, Maharashtra Sales Tax Tribunal, Mumbai (in respect of CST demand) & Deputy Commissioner of Sales Tax (Appeals) Pune

c. According to the information and explanations given to us, the Company has

transferred the matured deposits which was pending resolution of disputes regarding beneficiaries amounting to Rs.2.44 lakhs by remitting to Investor Protection Fund, in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder under the directions of the Registrar of Companies.

8. In our opinion, the Company's accumulated losses as at the end of the financial year are more than fifty per cent of its net worth as at the year end. The Company has incurred cash losses during the financial year covered by our audit amounting to Rs 9,487.51 lakhs and has incurred cash losses during the preceding financial year amounting to Rs 2,929.18 lakhs.

9. In our opinion and according to the information and explanations given to us, the Company had delayed repayment in certain months during the year however those loans were restructured by the consortium of banks (as referred vide note 54 of the financial statements) of the Company and there are no defaults in repayment of dues to banks as at March 31, 2015 taking into consideration of the restructuring program carried out by the Company. The delay in repayment in respect of a term loan with a bank ranged from 16 to 80 days during the year amounting to Rs 139.14 lakhs.

10. In our opinion, the terms and conditions on which the Company has given a guarantee to its wholly owned subsidiary, in respect of loans taken by its wholly owned subsidiary from a bank, is not prima facie prejudicial to its interest.

11. According to the information and explanations given to us, term loans are utilised for the purpose for which it was sanctioned.

12 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. LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

(CA C R KRISHNA)
Partner
Membership No. 027990

Place: Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

KIRLOSKAR ELECTRIC COMPANY LIMITED
BALANCE SHEET AS AT MARCH 31, 2015

Particulars	Note No.	As at March 31, 2015 Rs. In lakhs		As at March 31, 2014 Rs. In lakhs	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	3	6,913.85		5,052.14	
(b) Reserves and surplus	4	(2,089.45)		10,410.71	
			4,824.40		15,462.85
(2) Non - current liabilities					
(a) Long term borrowings	5	5,578.45		6,531.84	
(b) Other long term liabilities	7	1,770.52		1,334.24	
(c) Long term provisions	8	1,547.44		1,351.22	
			8,896.41		9,217.30
(3) Current liabilities					
(a) Short term borrowings	9	15,681.14		13,673.33	
(b) Trade payables	10	18,944.59		27,919.66	
(c) Other current liabilities	11	7,771.78		6,736.79	
(d) Short term provisions	12	2,538.65		737.17	
			44,936.16		49,066.95
TOTAL			58,656.97		73,747.10
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	13	8,864.36		11,899.33	
(ii) Intangible assets	13	87.29		57.47	
(iii) Capital work in progress	14	165.78		165.57	
		9,117.43		12,122.37	
(b) Non - current investments	15	6,534.01		19,142.12	
(c) Deferred tax assets (net)	6	-		-	
(d) Long term loans and advances	16	1,891.61		1,953.12	
(e) Other non current assets	17	13,960.30		151.91	
			31,503.35		33,369.52
(2) Current assets					
(a) Inventories	18	9,294.46		15,410.60	
(b) Trade receivables	19	8,272.87		15,664.06	
(c) Cash and bank balances	20	1,983.10		5,122.86	
(d) Short term loans and advances	21	1,030.41		1,276.00	
(e) Other current assets	22	6,572.78		2,904.06	
			27,153.62		40,377.58
TOTAL			58,656.97		73,747.10
Significant accounting policies and notes attached form an Integral part of the financial statements	1, 2, 23, 32 to 59				

In Accordance with our report attached

For B K Ramadhyani & Co LLP,
Chartered Accountants
Firm number: 002878S/S200021

CA. C R Krishna
Partner
Membership No:027990
Place: Bangalore
Date: May 29, 2015

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

Vijay R Kirloskar
Executive Chairman

CA.Vinayak Narayan Bapat
Managing Director

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

Kamlesh Gandhi
Director

KIRLOSKAR ELECTRIC COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015

	Particulars	Note No.	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
I	Revenue from operations	24		**51,080.32**		67,984.27
II	Other income	25		**330.70**		1,720.35
III	**Total revenue (I + II)**			**51,411.02**		69,704.62
IV	Expenses					
	Cost of materials consumed	26	**34,903.70**		54,823.15	
	Changes in inventories of finished goods, work in progress and stock in trade	27	**5,785.48**		(2,201.19)	
				40,689.18		52,621.96
	Employee benefit expense	28		**7,557.25**		7,887.83
	Finance costs	29		**4,413.14**		4,193.87
	Depreciation and amortization expenses	30		**1,103.81**		1,171.55
	Other expenses	31		**8,244.53**		7,934.73
				62,007.91		73,809.94
	Less: expenses capitalised			**5.57**		4.59
	Total expenses			**62,002.34**		73,805.35
V	Loss before exceptional and extraordinary items and tax (III-IV)			**(10,591.32)**		(4,100.73)
VI	Exceptional Items	32		**(2,383.31)**		
VII	Loss before tax (v-Vi)			**(12,974.63)**		(4,100.73)
VIII	Tax expense:					
	Current tax			-		0.23
IX	Loss for the period (V II+ VIII)			**(12,974.63)**		(4,100.96)
X	Earning per equity share before exceptional item:	34				
	Basic & Diluted			**(20.95)**		(8.12)
XI	Earning per equity share after exceptional item:	34				
	Basic & Diluted			**(25.66)**		(8.12)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 23, 32 to 59				

In Accordance with our report attached

For B K Ramadhyani & Co LLP,
Chartered Accountants
Firm number: 002878S/S200021

CA. C R Krishna
Partner
Membership No:027990

Place: Bangalore
Date: May 29, 2015

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

Vijay R Kirloskar
Executive Chairman

CA.Vinayak Narayan Bapat
Managing Director

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

Kamlesh Gandhi
Director

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 58, # 4-B, Chitrapur Bhavan,
8th ..in, 15th Cross, Malleswaram,
BANGALORE - 560 055.

KIRLOSKAR ELECTRIC COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

Particulars	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
Cash flows from operating activities				
Loss before taxation		(12,974.63)		(4,100.73)
Adjustments for:				
Depreciation and amortisation	1,103.81		1,171.55	
Provisons (net)	2,134.50		738.81	
Profit on sale of fixed assets (net)	(13,717.51)		(1,237.61)	
Interest received	(107.96)		(62.54)	
Loss on sale of investment	16,384.16		-	
Dividends received	(6.78)		(8.70)	
Finance costs	4,413.14		4,193.87	
		10,203.36		4,795.38
		(2,771.27)		694.65
(Increase)/ decrease in trade and other receivables	3,911.95		2,751.75	
(Increase)/ decrease in inventories	6,116.14		(1,966.14)	
Increase/ (decrease) in trade payables and other current liabilities	(8,699.98)		4,918.42	
		1,328.11		5,704.03
		(1,443.16)		6,398.68
Income taxes paid		46.00		54.79
Net cash from operating activities		(1,489.16)		6,343.89
Cash flows from investing activities				
Purchase of property, plant and equipment	(319.67)		(298.71)	
Proceeds from sale of property, plant and equipment	1,703.04		1,247.03	
Advance received for sale of asset	-		305.59	
Purchase of investments	(9,436.00)		(3,628.13)	
Sale of investment	6,063.50		-	
Interest received	89.24		75.41	
Increase in margin money and short term deposits	(496.69)		392.57	
Dividend received	6.78		8.70	
Net cash from investing activities		(2,389.80)		(1,897.54)
Cash flows from financing activities				
Proceeds from long term borrowings	601.45		3,000.00	
Repayment of long term borrowings	(10.95)		(25.11)	
ICD's Accepted	14,856.98		14,722.00	
ICD's Repaid	(14,553.00)		(15,347.26)	
Issue of shares	2,405.05		-	
Fixed deposits from public accepted	-		3,071.00	
Repayment of fixed deposits from public	(1,070.14)		(1,787.50)	
Increase/ (decrease) of short term borrowings (net)	2,330.87		(1,028.20)	
Repayment of finance lease obligation	(9.35)		(40.61)	
Finance costs	(4,308.40)		(4,188.35)	
Net cash from financing activities		242.51		(1,624.03)
Net increase/(decrease) in cash and cash equivalents		(3,636.45)		2,822.32
Cash and cash equivalents at beginning of the year		4,675.11		1,852.79
Cash and cash equivalents at end of the year		1,038.66		4,675.11

Cash & 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	1,983.10	5,122.86
Less: Other bank balances	944.44	447.75
Cash and cash equivalents as restated	1,038.66	4,675.11

In Accordance with our Report attached

For B K Ramadhyani & Co LLP,
Chartered Accountants
Firm number: 0028785/S200021

CA. C R Krishna
Partner
Membership No:027990
Place: Bangalore
Date: May 29, 2015

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

Vijay R Kirloskar
Executive Chairman

CA.Vinayak Narayan Bapat
Managing Director

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

Kamlesh Gandhi
Director

KIRLOSKAR ELECTRIC COMPANY LIMITED
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:

These financial statements have been prepared in accrodance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with Accounting Standards specified under Section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis. 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 of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results to could differ due to changes in these estimates and the difference between the actual result and the estimate are recognised in the period in which the results are known / materialise.

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 /amortisation.

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 are computed on weighted average basis.

2.7 DEPRECIATION:

(i) 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.

(ii) Depreciation on assets taken on finance lease is charged over the primary lease period.
(iii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought/sold during the year is charged on straight line mehtod as per the useful life in Schedule II of Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed/sold except in case of certain plant and machineries whose useful life is as assessed by a certified external techincal expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straight-line basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools different from that specified in schedule II to the said act are ranging from 1 to 25 years. Assets whose individual value less than Rs.5,000/- is depreciated fully.

2.8 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 impaired.

2.9 REVENUE RECOGNITION:

(i) Sale of products and services is recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, sales tax, service tax, value added tax and trade discounts.

(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.

2.10 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the statement of profit and loss in the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

2.11 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.

2.12 FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

(ii) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

(iii) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(iv) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

(v) The Company has entered into forward exchange contracts, which are not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

B K RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

2.13 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.

2.14 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.

2.15 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.

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
3 Share capital:				
Authorized:				
Preference Shares of Rs.100/- each	3,000,000	3,000.00	3,000,000	3,000.00
Equity shares of Rs.10/- each	60,000,000	6,000.00	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of Rs.100/- each				
Issued during the reporting period	1,595,890	1,595.89	-	-
At the close of the reporting period	1,595,890	1,595.89	-	-
Equity shares of Rs.10/- each				
At the beginning of the year	50,521,367	5,052.14	50,521,367	5,052.14
Issued during the reporting period	2,658,200	265.82	-	
At the close of the year	53,179,567	5,317.96	50,521,367	5,052.14
Total		6,913.85		5,052.14

Foot notes

I.A 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, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	2,376,746	2,376.75	2,376,746	2,376.75

c. During the year, the Company has issued and allotted 15,95,890 (Fifteen lakh ninety five thousand eight hundred and ninety) Compulsory Convertible Preference Shares ("CCPS") of Rs. 100/-(Rupees one hundred), to Vijay R Kirloskar (Promoter) by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% (zero point one per cent) per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of Rs. 10/- each for cash at a premium of Rs. 20.44 (Rupees twenty and fourty four paise) in two tranches in accordance with the SEBI Regulations and such issue and allotment of equity shares resultant on conversion of the preference shares will made at such time or times is in such manner as the Board may in its absolute discretion think fit at the time of conversion.

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

	As at March 31, 2015		As at March 31, 2014	
	Number	Percentage	Number	Percentage
Vijay R Kirloskar	1,595,890	100.00	-	-

2 Equity shares:

a. The Company has only one class of equity shares having 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.

RAMADHYANI & CO. LLP BANGALORE-560 001 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
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 allotted includes 6,174,878 equity shares of Rs.10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.	17,252,550	1,725.26	17,252,550	1,725.26
(ii) Shares allotted 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.	2,000,000	200.00	2,000,000	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.	6,000,000	600.00	6,000,000	600.00
(iv) Shares allotted during the year to Vijay R Kirloskar at a premium of Rs 20.44 per share	2,658,200	265.82		

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

	As at March 31, 2015		As at March 31, 2014	
	Number	Percentage	Number	Percentage
(i) Abhiman Trading Company Private Limited	5,217,063	9.81%	5,217,063	10.33%
(ii) Vijayjyothi Investment & Agencies Private Limited	4,257,682	8.01%	4,257,682	8.43%
(iii) KECL Investment Trust	6,174,878	11.61%	6,174,878	12.22%
(iv) Mr. Vijay Ravindra Kirloskar	6,571,469	12.36%	3,913,269	7.75%
(v) Vijaykirti Investments and Agencies Private Limited	3,064,094	5.76%	3,064,094	6.06%
(vi) Vijay Farms Private Limited	3,540,807	6.66%	3,540,807	7.01%
(vii) Life Insurance Corporation of India	2,576,571	4.85%	2,576,571	5.10%

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
4 Reserves 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) **Securities premium reserve**		
At the beginning of the year	-	
Received during the year (refer foot note 2(iv) to Note 2)	543.34	-
At the close of the year	543.34	-
c) **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
d) **Debenture redemption reserve**		
At the beginning of the year	494.00	494.00
Tranfer to Surplus	(494.00)	
At the close of the year	-	494.00
e) **Revaluation reserve**		
At the beginning of the year	480.41	480.41
Tranfer to Surplus	(271.75)	-
At the close of the year	208.66	480.41
f) **Reconstruction Reserve**		
At the beginning of the year	641.67	641.67
At the close of the year	641.67	641.67
g) **Reserve for doubtful debts**		
At the beginning of the year	90.00	90.00
At the close of the year	90.00	90.00
h) **Surplus i.e. balance in statement of profit and loss**		
At the beginning of the year	6,284.82	10,385.78
Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets whose remaining useful life is nil	(68.87)	-
Tranfer from revaluation reserve	271.75	-
Tranfer from debenture redemption reserve	494.00	-
Transferred from statement of profit and loss	(12,974.63)	(4,100.96)
At the close of the year	(5,992.93)	6,284.82
Total closing balance	(2,089.45)	10,410.71

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
5 Long term borrowings		
1) Secured loans:		
a. Finance lease obligations (refer note 46)	-	9.35
b. Car Loan from a Company	-	10.95
c. Loan from a bank	3,601.45	3,000.00
	3,601.45	3,020.30
Less: Current maturities	-	466.34
	3,601.45	2,553.96
2) Unsecured loans:		
Fixed deposits	3,893.10	4,336.20
	3,893.10	4,336.20
Less: Current maturities	1,916.10	358.32
	1,977.00	3,977.88
3) Total long term borrowings (1+2)	5,578.45	6,531.84

Additional information:

1) Details of security for secured loans:		
a. Against assets purchased on finance lease	-	9.35
b. Against security of Motor cars	-	10.95
c. Loan from banks (including funded interest term loans) are secured against first paripassu charge on current asset as primary security, first pari passu charge on certain immovable properties of the Company. Further, these loans are also guaranteed by the Executive Chairman of the Company	3,601.45	-
d. Loan from a bank is secured agaisnt the equitable mortgage of certain immoveable properties of the Company and gauranteed by the Executive Chairman 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 was 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 from Corporation Bank carries interest at base rate plus 3.60% and is repayable in 60 equated monthly instalments of Rs.69.57 lakhs per month.

Loan from Axis Bank carries interest at base rate plus 0.75% and is repayable in 60 equated monthly instalments commencing from 30 April 2016.

Loan from Bank of India carries interest at base rate plus 0.75% and is repayable in 96 equated monthly instalments for term loan and 60 equated monthly instalments for fixed interest term loan commencing from 30 April 2016.

Loan from State Bank of Hyderabad carries interest at base rate plus 0.75% and is repayable in 60 equated monthly instalments commencing from 30 April 2016.

Loan from State Bank of Travencore carries interest at base rate plus 0.75% and is repayable in 60 equated monthly instalments commencing from 30 April 2016.

Loan from State Bank of Mysore carries interest at base rate plus 0.75% and is repayable in 60 equated monthly instalments commencing from 30 April 2016.

3) Unsecured Loans:

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

b) Fixed deposits include Rs.18.10 lakhs matured unclaimed deposits.

4) During the year the Company has restructured its loans under Joint Lenders Forum mechanisam ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 will be converted into Funded Interest Term Loan.Necessary entries are passed both in certain banks and the Company as at the end of the year based on individual sanctions of the bank except in respect of a bank pending receipt of sanctioned letter, its overdue interest of Rs.74.80 lakhs has been converted into funded term loan in books of account. Further, the joint deed and other documentations in pursuance of the JLF is expected to be completed as permited in the extant guidelines of the JLF mechanism.

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
6 Deferred tax asset (net):		
i) i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,879.60**	1,899.52
Total	**1,879.60**	1,899.52
ii) ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**1,312.18**	1,067.23
b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to)	**567.42**	832.29
Total	**1,879.60**	1,899.52
Deferred tax asset (net)	-	-
7 Other long term liabilities		
Security deposits from suppliers, dealers etc	**1,770.52**	1,334.24
	1,770.52	1,334.24
8 Long term provisions		
Employee defined benefit plans (refer note 43)	**1,547.44**	1,351.22
	1,547.44	1,351.22

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
9 Short term borrowings		
1) Secured loans:		
a) Loans repayable on demand - from banks	**11,968.41**	9,630.04
b) Loan against pledge of fixed deposit from bank	**6.91**	14.41
	11,975.32	9,644.45
2) Unsecured loans:		
a) Fixed deposits	**7.10**	634.14
b) Inter corporate deposits	**3,698.72**	3,394.74
	3,705.82	4,028.88
Total	**15,681.14**	13,673.33

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
b)	Loan from banks are secured against first paripassu charge on current asset as primary security, first pari passu charge on the equitable mortgage of certain immovable properties of the Company. Further, these loans are also guaranteed by the Executive Chairman of the Company.	**9,233.31**	
c)	In respect of a bank, exclusive first charge created in respect of certain fixed assets transferred to its wholly owned subsidiary (SPV) of the Company. Corporate guarantee is given by SPV in respect of those specified properties. Further personal guarantee given by the Executive Chairman in respect to the above facility.	**2,735.10**	
d)	Against pledge of fixed deposits	**6.91**	14.41
e)	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 at 11.50% .

b) Fixed deposits accepted from related parties amount to Rs. nil (as at March 31, 2014: Rs.100 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.7.10 lakhs (as at March 31, 2014: Rs.36.24 lakhs) matured unclaimed deposits.

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
10 Trade payables		
i) Trade payables	**14,487.22**	14,558.72
ii) Acceptances	**4,457.37**	13,360.94
	18,944.59	27,919.66

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, 2015	As at March 31, 2014
1	Principal amount due and remaining unpaid	73.43	57.40
2	Interest due on (1) above and the unpaid interest	20.58	12.75
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	104.48	65.19
5	Interest due and payable for the period of delay other than (3) above	20.75	12.75
6	Interest accrued and remaining unpaid	20.75	12.75
7	Amount of further interest remaining due and payable in succeeding years	33.50	12.75

11 Other current liabilities:			
a)	Current maturities of finance lease obligations	-	9.35
b)	Current maturities of car loan from a Company	-	10.95
c)	Current maturities of fixed deposit	**1,916.10**	358.32
d)	Current maturities of secured loan from bank	-	446.04
e)	Interest accrued but not due on deposits	**302.85**	198.11
f)	Statutory liabilities	**705.63**	707.47
g)	Other liabilities	**2,776.95**	2,813.93
h)	Trade advances	**2,070.25**	1,887.03
i)	Advance for sale of asset	-	305.59
		7,771.78	6,736.79
12 Short term provisions:			
a)	Provision for short term compensated absences	**17.11**	18.61
b)	Provision for wage arrears	**400.24**	245.02
c)	Provision for warranty	**597.90**	357.07
d)	Provision for stamp duty on Scheme	-	110.40
e)	Provision for tax (net of advance tax outside India)	**5.26**	6.07
f)	Provision for contingencies	**1,518.14**	-
		2,538.65	737.17

V. RANADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

13 Fixed assets:

Rs in Lakhs

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2014	Additions for the year	Deductions / adjustments during the year	As at March 31, 2015	As at April 1, 2014	For the year (#)	Deductions / adjustments during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Tangible Assets										
Own assets										
Land	1,227.62	-	311.23	916.39	-	-	-	-	916.39	1,227.62
Building	5,229.54	4.61	286.78	4,947.37	1,648.18	156.23	117.27	1,687.14	3,260.23	3,581.36
Plant and equipment	15,176.96	36.88	912.74	14,301.10	11,103.09	676.69	877.53	10,902.25	3,398.85	4,073.87
Tools and Jigs	1,479.58	67.93	8.60	1,538.91	889.84	53.81	-	943.65	595.26	589.74
Electrical installations	206.76	-	-	206.76	104.72	26.18	0.01	130.89	75.87	102.04
Motor vehicles	475.15	-	98.44	376.71	289.90	56.44	34.44	311.90	64.81	185.25
Office equipments	94.39	18.00	(6.75)	119.14	31.81	28.15	(7.06)	67.02	52.12	62.58
Furniture and fittings	1,167.54	6.89	181.85	992.58	860.06	118.73	180.21	798.58	194.00	307.48
Leasehold improvements	313.35	-	-	313.35	64.75	10.47	-	75.22	238.13	248.60
Assets taken on finance lease										
Land ($)	1,519.74	-	1,451.04	68.70	-	-	-	-	68.70	1,519.74
Plant and machinery	1,033.39	-	-	1,033.39	1,032.34	1.05	-	1,033.39	-	1.05
	27,924.02	**134.31**	**3,243.93**	**24,814.40**	**16,024.69**	**1,127.75**	**1,202.40**	**15,950.04**	**8,864.36**	**11,899.33**
Intangible assets										
Goodwill	423.46	-	-	423.46	423.46	-	-	423.46	-	-
Computer software	483.86	74.75	-	558.61	426.39	44.93	-	471.32	87.29	57.47
Technical knowhow and product development	147.93	-	-	147.93	147.93	-	-	147.93	-	-
	1,055.25	**74.75**	**-**	**1,130.00**	**997.78**	**44.93**	**-**	**1,042.71**	**87.29**	**57.47**
TOTAL	**28,979.27**	**209.06**	**3,243.93**	**25,944.40**	**17,022.47**	**1,172.68**	**1,202.40**	**16,992.75**	**8,951.65**	**11,956.80**
	28,930.57	562.47	513.77	28,979.27	15,876.45	1,377.38	231.36	17,022.47		

Additional Information:

1) ($) Land taken on lease from KIADB aggregates to Rs.68.70 lakhs. On expiry of lease periods, payment of balance considerations if any, and execution of sale deeds, the relevant title will pass to the Company.

2) (#) Includes Rs 68.87 lakhs debited to Surplus account vide Note 3

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
14 Capital work in progress:		
i) Building under construction $	**165.78**	165.57

$ 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 years.

15 Non current investments:

Details of investments	Name of the Company	As at March 31, 2015 No of shares	Face value	Rs. In Lakhs	As at March 31, 2014 No of shares	Face value	Rs. In Lakhs
a)	**Investments in equity instruments:**						
i)	Subsidiaries: (Trade)						
	Fully paid up						
	Kirsons BV (refer additional information 5 below)	-	-	-	2,230	100.00	19,086.66
	KEC North America Inc (refer additional information 4 below)	210	-	129.36	210	-	129.36
	Kelbuzz Trading Private Limited	4,045,500	10	404.55			
	Luxquisite Parkland Private Limited	60,640,000	10	6,064.00			
	SLPKG Estate Holdings Private Limited	90,000	10	9.00			
	SKG Terra Promenade Private Limited	10,000	10	1.00			
ii)	Associates: (Trade)						
	Fully paid up						
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	300,000	MR1	5.29	300,000	MR1	5.29
iii)	Others						
	Fully paid up						
	ICICI Ltd (on merger of Sangli Bank Limited)	5,405	2	1.00	1,081	10.00	1.00
	The Mysore Kirloskar Ltd (refer additional information 3 below)	770,750	10	-	770,750	10.00	-
	Kirloskar Proprietary Ltd	26	100	1.28	26	100.00	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	SGD 1	11.20	56,250	SGD 1	11.20
	Kirloskar Power Equipment Ltd	340,000	10	28.17	340,000	10.00	28.17
b)	**Investments in debentures or bonds**						
i)	Others						
	Fully paid up						
	The Mysore Kirloskar Ltd (refer additional information 3 below)	30,000	44	-	30,000	44.00	-
	Total			6,663.37			19,271.48
	Less:						
	Provision for diminution in value of investments			129.36			129.36
	Total			6,534.01			19,142.12

Additional Information:

1) Aggregate value of quoted investments:
   Cost — 1.00 — 1.00
   Market Value — 17.04 — 13.46

2) Aggregate valve of unquoted investments:
   Cost — 6,662.37 — 19,270.48

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

4) This Company has been dissolved. However, the investment has not been written off pending approval from Reserve Bank of India. However, full provision has been made for the same.

5) The Company has transfeered its investment in Kirsons BV to Luxquisite Parkland Private Limited, wholly owned subsidiary of the Company, during the year.

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
16 Long term loans and advances:		
(Unsecured and considered good)		
i) Capital advances	**104.70**	90.29
ii) Security deposits	**435.06**	566.28
iii) Loans and advances to related parties	**280.00**	280.00
iv) Disputed statutory liabilities/ taxes paid	**1,071.85**	1,016.55
	1,891.61	1,953.12
Amount due from a private company in which a director of the Company is a director	**100.00**	100.00
17 Other non current assets		
(unsecured and considered good)		
i) Long term trade receivables	**173.76**	78.85
ii) Recievables from subsidiaries	**13,668.29**	-
iii) Advance payment of tax (net)	**118.25**	73.06
	13,960.30	151.91

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs
18 Inventories:		
i) Raw materials, stores and spares, components (*)	1,465.54	1,784.98
ii) Work in progress	6,803.90	10,776.43
iii) Finished goods	1,053.94	2,807.51
iv) Others (scrap stock)	24.63	4.24
Goods in transit:		
i) Raw materials, Stores and spares, components (*)	-	11.22
ii) Finished goods	2.39	82.16
	9,350.40	15,466.54
Less: Provision for non-moving stocks	55.94	55.94
	9,294.46	15,410.60
(*) Stores and spares, components are not seperately ascertainable		
19 Trade receivables:		
i) Trade receivables exceeding six months	590.84	6,451.32
ii) others	8,243.43	10,374.14
	8,834.27	16,825.46
Less: Allowance for doubtful debts	561.40	1,161.40
	8,272.87	15,664.06
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	8,272.87	15,664.06
ii) Doubtful	561.40	1,161.40
Total	8,834.27	16,825.46
Less:		
Allowance for doubtful debts	561.40	1,161.40
	8,272.87	15,664.06
2) Debts due by private companies in which directors of the Company are directors	8.48	8.48
20 Cash and bank balances:		
a) Cash and cash equivalents:		
i) Balances with banks		
- In other accounts	1,028.86	4,655.59
ii) Cash on hand	9.80	6.14
iii) Funds in transit	-	13.38
	1,038.66	4,675.11

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs
b) Other bank balances:		
i) Balances with banks		
- in short term deposits	104.31	78.09
- in margin money, security for borrowings, guarantees and other commitments	840.13	369.66
	944.44	447.75
Total (a + b)	1,983.10	5,122.86
21 Short term loans and advances:		
i) Loans and advances to related parties (refer note 41)	341.91	601.59
ii) Others	1,064.73	1,023.55
	1,406.64	1,625.14
Less: Allowance for doubtful advances	376.23	349.14
	1,030.41	1,276.00
Additional Information:		
1) Breakup of above:		
i) Unsecured, considered good	1,030.41	1,276.00
ii) Doubtful	376.23	349.14
Total	1,406.64	1,625.14
Less:		
Allowance for doubtful advances	376.23	349.14
	1,030.41	1,276.00
2) Debts due by private companies in which directors of the Company are directors	336.45	252.77
22 Other Current assets		
i) Central excise receivable	452.01	730.00
ii) VAT receivable	1,208.68	1,447.69
iii) Receivables from subsidiaries	4,784.22	-
iv) Assets held for sale (refer note 40)	793.09	793.09
	7,238.00	2,970.78
Less:		
Provision for asset held for sale	665.22	66.72
	6,572.78	2,904.06

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs

23 Contingent liabilities and commitments:

(to the extent not provided for)

a) Contingent liabilities:

i)	Claims against the Company not acknowledged as debts	1,568.89	1,367.78
ii)	Guarantees	2,564.04	4,324.93
iii)	Letters of credit	4,185.21	5,634.68
iv)	Bills discounted with Bank	1,708.08	1,864.81
v)	Penal damages levied by the Regional Provident Fund commissioner. During the previous year High Court of Karnataka, Bangalore 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 dues	Nil	Nil
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.	303.20	338.62
vii)	Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to Rs 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to Rs 399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of Rs. 643.46 lakhs (as at March 31, 2014 603.46 lakhs) against the demand which has been included in disputed statutory dues.	5,182.06	1,515.83
viii)	The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company has paid an aggregate amount of Rs.369.23 lakhs (as at March 31, 2014 Rs. 359.23 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 16.	889.36	889.36
ix)	Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	219.10	10.22
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.	0.90	Not Ascertainable
xiii)	Income tax demands under appeal. The Company has paid an amount of Rs.48.82 lakhs as at March 31, 2015 (as at March 31, 2014 Rs.48.82 lakhs) against the demand which has been included in advance payment of tax.	238.51	398.13
xiv)	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
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, 2014 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)	1,162.50	1,162.49
xvii)	Corporate Gaurantee given to its wholly owned subsidiary	3,566.71	

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. However, as a matter of abundant caution, the company hsa recongnised a provision for contingecies to take care of any liabilites that may devolve, as detailed in note48.

b) Commitments

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	113.65	255.44
ii)	The Company has entered into an agreement with a related party to sell a portion of an immovable property owned by it.	-	305.59

Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
24 Revenue from operations:		
i) Sale of products		
Motors, alternators and generators	28,106.64	36,315.71
Transformers	16,245.27	23,565.86
DG sets	5,171.07	7,241.88
Others	5,174.36	6,801.42
Total	54,697.34	73,924.87
ii) Sale of services	775.36	916.06
	55,472.70	74,840.93
Less:		
Excise duty	4,392.38	6,856.66
	51,080.32	67,984.27
25 Other income:		
i) Interest income	107.96	62.54
ii) Dividend income from long term investments		
- from current investments	6.78	8.70
iii) Profit on sale of fixed assets (net)	-	1,237.61
iv) Provision no longer required and Unclaimed credit balance written back	114.54	212.27
v) Rent received	24.68	48.27
vi) Miscellaneous income	76.74	150.96
	330.70	1,720.35
26 Cost of materials consumed:		
Consumption of raw materials, components, stores and spare parts*	34,903.70	54,823.15
	34,903.70	54,823.15
* Value of stores and spare parts not ascertained separately		
Additional information:		
1 i) Copper (Wires, strips, rods, sheets etc)	8,194.30	11,370.66
ii) Iron and steel (pigiron, rounds, plates, sheets , etc.,)	6,942.52	7,675.34
iii) Others	19,766.88	35,777.15

2 Cost of materials consumed includes Rs nil (Previous year 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	5,309.29	7,231.44
Transformers	965.59	1,948.40
DG Sets	499.18	1,536.36
Others	29.84	60.23
Total	6,803.90	10,776.43
ii) Finished goods		
Motors, alternators and generators	826.65	1,675.27
Transformers	123.81	1,004.67
DG sets	17.38	29.50
Others	88.48	180.22
Total	1,056.32	2,889.66
iii) Scrap	24.63	4.24
	7,884.85	13,670.33
Less:		
Stocks at the beginning 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
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
	5,785.48	(2,201.19)

B. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

Particulars			Current Year Rs in Lakhs		Previous Year Rs in Lakhs
28 Employee benefit expense:					
i)	Salaries, wages and bonus		5,937.62		6,188.61
ii)	Contribution to provident and other funds		683.85		674.43
iii)	Staff welfare expenses		935.78		1,024.79
			7,557.25		7,887.83
29 Finance costs:					
i)	Interest expense		4,086.36		3,580.39
ii)	Amortisation of premium on forward contract		-		9.78
iii)	Other borrowing costs		326.78		603.70
			4,413.14		4,193.87
30 Depreciation and amortization expenses:					
i)	Depreciation		1,058.88		1,325.60
ii)	Amortization of intangible assets		44.93		51.78
iii)	Withdrawal of depreciation on account of assessment of stamp duty payable on Scheme				(205.83)
			1,103.81		1,171.55
31 Other expenses:					
i)	Power and fuel		780.34		974.32
ii)	Rent		380.14		291.66
iii)	Repairs to buildings		77.72		75.07
iv)	Repairs to machinery		182.52		315.48
v)	Repairs to others		315.87		270.70
vi)	Vehicle maintenance		29.04		32.78
vii)	Insurance		37.28		38.48
viii)	Rates and taxes		194.48		113.67
ix)	Payment to auditors				
	- as auditor (includes branch audit fees of Rs.0.13, previous year Rs.0.14)	38.14		38.14	
	- for taxation matters (includes Rs.0.12, previous year Rs.0.13 to branch auditor)	20.37		26.13	
	- for Certification work	7.00		7.00	
	- for limited review	15.00		15.00	
	- for reimbursement of expenses	1.27		3.53	
			81.78		89.80
x)	Selling expenses		1,641.09		1,850.55
xi)	Commission		72.27		28.17
xii)	Warranty claims		441.25		473.62
xiii)	Allowance for doubtful trade receivables		-		621.67
xiv)	Allowance for doubtful loans and advances		44.08		11.96
xv)	Net (gain)/loss on foreign currency transaction and translation		25.20		262.33
xvi)	Bad trade receivables written off	2.93		177.52	
	Less: Allowance for doubtful trade receivable withdrawn	600.00		133.34	
			(597.07)		44.18
xvii)	Irrecoverable loans and advances written off	29.96			
	Less: Allowance for doubtful loans & advances withdrawn	16.99	12.97		-
xviii)	Loss on sale of fixed asset (net)		283.35		-
xix)	Donations		2.20		0.65
xx)	Legal and professional charges		531.66		514.70
xxi)	Travelling		564.31		769.69
xxii)	Printing and stationary		62.58		73.92
xxiii)	Postage, telgrams and telephones		158.67		164.31
xxiv)	Directors sitting fees		13.65		13.05
xxv)	Provision for assets held for sale		598.50		66.72
xxvi)	Provision for Contingencies		1,518.14		-
xxvii)	Miscellaneous expenses		792.51		837.25
			8,244.53		7,934.73
32 Exceptional items:					
i)	Profit on transfer of assets to subsidiaries. (Refer note 54)		14,000.86		-
ii)	Loss on sale of investments (Refer note 53)		(16,384.17)		-
			(2,383.31)		-

Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
33 Additional information:		
a) Value of imports calculated on CIF basis		
i) Raw Materials, Components and spare parts	387.40	1,052.31
ii) Capital goods	9.53	-
b) Expenditure in foreign currency: (net of withholding tax)		
i) Professional, consultancy and other fees	35.24	-
ii) Travel	99.94	149.75
iii) Investments in wholly owned subsidiary (Kirsons BV)	3,360.50	3,628.13

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	358.64	1.03%	2,798.95	5.11%
ii)	Value of indigenous raw materials, spare parts and components consumed	34,545.06	98.97%	52,024.20	94.89%
		34,903.70	100.00%	54,823.15	100.00%

d) Details of non-resident shareholdings		
i) Number of nonresident share holders	388	420
ii) Number of shares held by nonresident shareholders	2,208,728	2,246,425
e) Earnings in foreign exchange:		
i) Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	4,336.83	5,678.98
ii) Dividends received	6.52	8.47
iii) Remittances from overseas offices (net)	289.42	467.90

34 Earnings per share:
(Basic and diluted)

(a) Before exceptional item		
Loss for the year after tax expense	(10,591.32)	(4,100.96)
Weighted average number of equity shares	50,565,063	50,521,367
Earnings per share (Basic & Diluted) (*)	(20.95)	(8.12)
(b) After exceptional item		
Loss for the year after tax expense	(12,974.63)	(4,100.96)
Weighted average number of equity shares	50,565,063	50,521,367
Earnings per share (Basic & Diluted) (*)	(25.66)	(8.12)

(*) Effect of potential equity shares is antidilutive

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.

(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 if any, 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 had deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made 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 had 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. The Company is in the process of quantifying the differences adjusted/to be adjusted in the books of account on a comprehensive basis. 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 and anticipated shortfall in realisability has been provided for in the books of accounts.

41 Current assets, loans and advances include Rs. 268.16 Lakhs (as at March 31, 2014 Rs. 241.11 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 a 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, 2015 and accordingly, recognition of expense in this respect and requisite disclosures are not applicable.

41 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:

Particulars	(Rs. in Lakhs)	
	Current Year	Previous Year
Employer's contribution to provident & pension funds	354.54	377.90
Employer's contribution to superannuation fund	105.03	126.66

(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.

1 **Reconciliation of opening and closing balances of defined benefit obligation:**	(Rs. in lakhs)			
	As at March 31, 2015		As at March 31, 2014	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
Defined Benefit obligation at beginning of the year	2,489.47	478.30	2,707.63	460.52
Current Service Cost	123.51	42.62	130.53	84.53
Interest Cost	200.91	44.24	175.76	36.84
Additional provision for increase in limit of gratuity/ in excess of limit	(164.51)	-	35.62	-
Actuarial (gain)/ loss	150.96	(36.06)	(102.34)	(103.59)
Benefits Paid	(310.25)		(457.73)	-
Defined Benefit obligation at end of the year	2,490.09	529.10	2,489.47	478.30
2 **Reconciliation of opening and closing balance of fair value of plan assets:**				
Fair value of plan assets at beginning of the year	1,469.03	147.52	1,764.41	138.20
Expected return on plan assets	138.09	12.02	145.51	11.26
Employer Contribution	34.66	-	27.22	-
Benefits paid	(310.25)	-	(457.73)	-
Actuarial gain/(loss)	(20.58)	1.26	(10.38)	(1.94)
Fair value of plan assets at year end	1,310.95	160.80	1,469.03	147.52
Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	1,310.95	160.80	1,469.03	147.52
Present value of obligation	2,490.09	529.10	2,489.47	478.30
Amount recognized in Balance Sheet under liabilities:	1,179.14	368.30	1,020.44	330.78
Expense recognized during the year: (under "Note 28" Employee Benefit Expenses" in the Statement of Profit and Loss)	Current Year		Previous Year	
Current Service Cost	123.51	42.62	130.53	84.53
Interest Cost	200.91	44.24	175.76	36.84
Expected return on plan assets	(138.09)	(12.02)	(145.51)	(11.26)
Additional provision for increase in limit of gratuity/ in excess of limit	(164.51)	-	35.62	-
Actuarial (gain)/ loss	171.54	(37.32)	-91.96	(101.65)
Net Cost	193.36	37.52	104.44	8.46
Actuarial assumptions:	As at March 31, 2015		As at March 31, 2014	
Mortality Table	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)
Discount rate (per annum)	7.90%	7.90%	9.25%	9.25%
Expected rate of return on plan assets (per annum)	7.90%	7.90%	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:

The Company has not furnished segment report since same has been furnished in the Consolidated financial statements, as permitted to para 4 of accounting standard 17 issued by Central Government

45 RELATED PARTY TRANSACTIONS:

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Kirsons B V (upto 04 March 2015) Luxquisite Parkland Private Limited SLPKG Estate Holdings Private Limited SKG Terra Promenade Private Limited KELBUZZ Trading Private Limited	Wholly Owned Subsidiary
2	Kirsons B V (w.e.f 05 March 2015) 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. Vinayak Narayan Bapat Ms. K S Swapnalatha Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives ("KMP")
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
5	Senapathy Whiteley Private Limited Transport Corporation of India Maini Material Movement Private Limited Lakshmanan Isola Private Limited Best Trading & Agencies Limited (upto November 28, 2014)	As per section 2(76) of the Companies Act, 2013 ("Others-A")
6	Kirloskar Batteries Private Limited Kirloskar Power Equipment 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-B")

(b) Transactions with the related parties

(Rs. in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others - B	35.85	49.97
Sri Vijayadurga Investments and Agencies Private Limited		93.64	159.15
Ravindu Motors Private Limited		1.25	1.35
Abhiman Trading Company Private Limited		104.28	96.23
Kirloskar electric Charitable Trust		5.17	5.63
Lakshmanan Isola Private Limited	Others - A	56.06	Not Applicable
Transport Corporation of India		299.07	Not Applicable
Sale of goods and services:			
KELBUZZ Trading Private Limited	Subsidiary	45.68	-
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	509.98	503.99
Kirloskar (Malaysia) Sdn. Bhd	Associates	413.37	109.38
Ravindu Motors Private Limited	Others - B	-	19.56
Kirloskar Electric Charitable Trust	Others - B	0.38	0.26
Sale of Assets/Investment:			
KELBUZZ Trading Private Limited	Subsidiary	5,088.00	-
Luxquisite Parkland Private Limited - Sale of Investments		6,063.00	-
SKG Terra Promenade Private Limited		3,450.00	-
SLPKG Estate Holdings Private Limited		5,518.00	-
Sale of Receivables:			
KELBUZZ Trading Private Limited	Subsidiary	4,759.69	-
SLPKG Estate Holdings Private Limited		4,300.07	-
Sale of Fixed Asset:			
Ravindu Motors Private Limited**	Others - B	305.59	-
Rent received:			
Ravindu Motors Private Limited	Others - B	-	25.22

RAMAIAH & CO. LLP BANGALORE-55 Chartered Accountants

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

(Rs. in Lakhs)

Rent paid			
Kirloskar Power Equipment Limited	Others - B	60.00	10.00
Vijayjyothi Investments and Agencies Private Limited		78.00	
Dividend received:			
Kirloskar (Malaysia) Sdn. Bhd	Others - B	-	1.67
Remuneration paid:			
Vijay R Kirloskar*	KMP	214.82	203.38
Vinayak Narayan Bapat*		50.09	Not Applicable
Swapna Latha*		20.72	Not Applicable
Janaki Kirloskar*		5.00	106.15
Rukmini Kirloskar*		3.57	3.43
Meena Kirloskar (Sitting Fees)		5.98	6.42
		1.35	1.07
Interest paid			
Vijay R Kirloskar	KMP	2.86	9.15
Rukmini Kirloskar		-	1.29
Meena Kirloskar		-	1.55
Vijayjyothi Investments and Agencies Private Limited	Others - B	8.21	-
KEC Executives & Others Officers Welfare Trust		0.20	1.15
KEC Officers & Engineers Welfare Trust		0.20	1.15
KEC Vice Presidents Welfare Trust		0.26	1.72
KEC Engineers of Mysore Unit Welfare Trust		0.06	0.57
Investments made			
Kirsons B V ***	Subsidiary	3,360.50	3,628.13
KELBUZZ Trading Private Limited		404.55	-
Luxquisite Parkland Private Limited		6,064.00	-
SKG Terra Promenade Private Limited		1.00	-
SLPKG Estate Holdings Private Limited		9.00	-
Issue of Shares to Vijay R Kirloskar			
Issue of equity shares	KMP	265.82	-
Share premium		543.34	-
Issue of CCPS		1,595.89	-
Fixed deposit renewed / accepted during the year			
Vijay R Kirloskar	KMP	-	100.00
KEC Executives & Others Officers Welfare Trust	Others - B	-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
KEC Engineers of Mysore Unit Welfare Trust		-	5.00
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP	100.00	-
Rukmini Kirloskar		-	20.00
Meena Kirloskar		-	25.00
KEC Engineers of Mysore Unit Welfare Trust	Others - B	5.00	-
KEC Executives & Others Officers Welfare Trust		10.00	-
KEC Officers & Engineers Welfare Trust		10.00	-
KEC Vice Presidents Welfare Trust		15.00	-
Inter company deposit accepted:			
Vijayjyothi Investments & Agencies Private Limited	Others - B	-	400.00
Best Trading & Agencies Limited	Others - A	2,222.00	
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others - B	74.20	325.44
Best Trading & Agencies Limited	Others - A	345.00	
Interest paid:			
Vijayjyothi Investments & Agencies Private Limited	Others - B	-	29.14
Best Trading & Agencies Limited	Others - A	24.91	-
Reimbursement of expenses by company to subsidiary			
KELBUZZ Trading Private Limited	Subsidiary	63.74	-
Luxquisite Parkland Private Limited		50.30	-
SKG Terra Promenade Private Limited		0.13	-
SLPKG Estate Holdings Private Limited		0.14	-
Advance received for sale of asset:			
Ravindu Motors Private Limited	Others - B	-	305.59

* 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

** net of prior year adjustment of rental income amounting to Rs 284.74 lakhs

K. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

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

(Rs. in Lakhs)

Particulars	Relationship	As at March 31, 2015	As at March 31, 2014
Amount due to Company:			
Kirsons BV	Subsidiary	-	39.13
KELBUZZ Trading Private Limited		5,790.60	-
Luxquisite Parkland Private Limited		50.30	-
SKG Terra Promenade Private Limited		3,450.13	-
SLPKG Estate Holdings Private Limited		9,305.64	-
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	1,018.25	498.07
Kirloskar (Malaysia) Sdn. Bhd	Associate	-	160.07
Kirloskar Power Equipment Limited	Others - B	180.00	446.76
Vijay Farms Private Limited		192.36	187.47
Sri Vijayadurga Investments and Agencies Private Limited		33.46	31.96
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited		0.14	0.14
Abhiman Trading Company Private Limited		98.97	69.05
Kirloskar Batteries Private Limited		5.46	5.46
Amount due from Company:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	133.36	162.25
Senapathy Whitley Private Limited	Others - A	94.59	Not Applicable
lakshmanan Isola Private Limited		18.28	Not Applicable
Transport Corporation of India		98.11	Not Applicable
Kirloskar Batteries Private Limited	Others - B	11.86	25.89
Kirloskar Electric Charitable Trust		5.00	5.20
Kirlokar Power Equipment Limited		162.91	63.55
Vijay Farms Private Limited		7.51	2.23
Vijayjyothi Investments and Agencies Private Limited		66.89	74.56
Abhiman Trading Company Private Limited		28.95	29.28
Sri Vijayadurga Investments and Agencies Private Limited		20.17	15.86
Ravindu Motors Private Limited		0.81	305.59
Fixed Deposits outstanding at the end of the year:			
Vijay R Kirloskar	KMP	-	100.00
Investment held			
Kirsons BV	Subsidiary	-	19,086.66
KELBUZZ Trading Private Limited		404.55	-
Luxquisite Parkland Private Limited		6,064.00	-
SKG Terra Promenade Private Limited		1.00	-
SLPKG Estate Holdings Private Limited		9.00	-
Guarantees given by the Company and outstanding at the end of the year for the loan taken by:			
Kirsons BV	Subsidiary	-	1,399.70
KELBUZZ Trading Private Limited		3,566.71	-
Guarantees given by the Subsidiary in respect of loan taken by the Company outstanding at the end of the year:			
SKG Terra Promenade Private Limited		2,735.10	-
Guarantees given for the loans taken by the Company and outstanding at the end of the year by:			
Vijay R Kirloskar	KMP	15,569.86	12,630.04

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.

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.

(Rs. in Lakhs)

Sl. No.	Particulars	Total minimum lease payments outstanding as at March 31, 2015	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2015
1	Within one year	-	-	-
		(9.81)	(0.46)	(9.35)

47 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.380.14 Lakhs (Previous Year Rs.291.66 Lakhs).

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

(Rs. in Lakhs)

Sl. No.	Particulars	Provision for Contingencies	Wage Arrears	Short Term Compensated Absences	Stamp Duty	Warranty Claims
1	Balance outstanding at the beginning of the year	-	245.02	18.61	110.40	357.07
		-	(172.96)	(20.45)	(597.06)	(389.27)
2	Provision for the year (net)	1518.14	155.22	(1.50)	(110.40)	240.83
		-	(72.06)	(-1.84)	(-486.66)	(-32.2)
3	Balance outstanding at the end of the year	1,518.14	400.24	17.11	-	597.90
		-	(245.02)	(18.61)	(110.40)	(357.07)

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abudant caution an estimated provision as been made for contigencies as held in respect of ongoing litigations as detailed in note 23 and certain probable liability.

49 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2015 are as under:

Particulars	As at March 31, 2015		As at March 31, 2014	
	FCY	Rs. In Lakhs	FCY	Rs. In Lakhs
Assets (Receivables)	$ 1,011,349.97	725.06	$ 607,502.00	1,123.71
	€ 127,676.45		€ 922,522.00	
	AED 8,993.58		AED -	
	£ 4,857.00		£ 2,591.20	
Liabilities (Payables)	$ 814,644.05	766.07	$ 2,099,818.00	1,730.42
	€ 284,419.87		€ 199,635.00	
	AED 363,283.72		AED -	
	SGD -		SGD 694,251.00	

50 During the year under review, the Company promoted the following wholly owned subsidiaries:
Kelburz Trading Private Limited ("KTPL")
SLPKG Estates Holdings Private Limited ("SEHPL")
SKG Terra Promenade Private Limited ("STPPL")
Luxpusite Parkland Private Limited ("LPPL")

51 Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses during the previous two years, thereby eroding its net worth. The local directors of LDW filed a preliminary insolvency petition on September 8, 2014 and on September 9, 2014 preliminary insolvency was declared and preliminary insolvency administrator was appointed by the court in Germany.

52 The Company has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the Company, in spite of its best efforts. The Company has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B.V (immediate holding company of LDW). The Company has also appointed a local legal counsel to represent its interest, prepare a case for recovering damages and file a case against the lenders of LDW and few other parties.

53 The Company, after obtaining necessary approvals from its members has transferred its investments in Kirsons BV to LPPL at a consideration of Rs.6,063 lakhs (fair value assessed by a firm of Chartered Accountants appointed by the Company). The resultant loss of Rs.16,384.17 lakhs has been recognised in the statement of profit and loss, as an exceptional item.

B K RAMADHYAN & CO. LLP BANGALORE-55 Chartered Accountants

54 a) As a measure of restructuring and with the consent of the lending banks under the Joint Lender Forum (JLF) mechanism, the Company has transferred certain assets comprising of immovable properties, receivables and inventory to KTPL, STPPL and SEHPL, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts transferred / to be transferred by the Company. The assets transferred are as detailed below:

i) Assignment of book debts of Rs.4,759.69 lakhs , sale of certain materials of Rs.45.68 lakhs and sale of certain immovable properties of Rs.5,088 lakhs, to KTPL.
ii) Assignment of books debts of Rs.4,300.07 lakhs and sale of certain immovable properties of Rs.5,518 lakhs, to SEHPL and
iii) Sale of certain immovable properties amounting to Rs.3,450 lakhs to STPPL.

The fair value of all the properties have been assessed by chartered engineers appointed by the Company.

b) The above transactions between the Company and its wholly owned subsidiaries in respect of transfer of immoveable properties are subject to the approval of the members by way of special resolutions in terms of section 188 of the Companies Act, 2013, rule 15 (2) of the Companies (Meetings of Boards and its Powers), Rules, 2014 and other applicable provisions, if any. Further as a matter of abundant precaution the Company is taking steps to get the approval of the members by way of special resolution as referred above in respect of transfer of assignment of debts to its wholly owned subsidiaries.

c) The deeds conveyancing immovable properties referred to earlier were executed before March 31, 2015 in respect of which, payment of stamp duty, registration charges and registration with the concerned Sub Registrars are pending for the properties valued at Rs 13,652.45 lakhs. The Company has been advised that these properties have already vested in the relevant subsidiaries on the date of execution of the concerned deeds, even though payment of stamp duty and registration will be done subsequently. Necessary provision has been recognised in the financial statements wherever applicable to the extent registration charges and stamp duty is payable by the Company.

d) The amounts outstanding and due from the said subsidiaries as at March 31, 2015 in respect of the transfer of the assets as mentioned in para 6(a) and 6(b) are KTPL Rs 5,838.48 lakhs, SEHPL Rs 9,305.49 lakhs and STPPL Rs 3,450 lakhs.
These subsidiaries are taking active steps to repay the dues of the Company, from collection of debts assigned and from disposal of assets transferred apart from debts transferred / to be transferred as referred above. These subsidiaries have been sanctioned credit facilities to an aggregate extent of Rs. 51.33 crores (net of amounts drawn).

The board of directors of the Company are confident of recovery of the entire amounts due from the said subsidiaries and accordingly the resultant profit from transfer of said assets to them aggregating to Rs. 14,001 lakhs has been recognised in the Statement of Profit and Loss as exceptional income.

55 The net worth of the group in terms of the Consolidated financial statements presented consisting of the Company, its subsidiaries and its associate is eroded. The Company and its components have initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, introduction of value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Company on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

56 The Company has recognized the charge for depreciation adopting the useful life of its fixed assets other than plant and machinery/tools as prescribed in schedule II of the Companies Act, 2013. However, the charge for depreciation on plant and machinery/tools has been based on the re-evaluated useful life technically assessed which are different from the useful life prescribed in schedule II of the said Act. Had the company continued with the rates of depreciation adopted till March 31, 2014, the charge for depreciation and loss for the year ended March 31, 2015 would have been higher by Rs. 87.79 lakhs. Further, based on transitional provisions provided in clause 7(b) of schedule II of the Companies Act, 2013, an amount of Rs. 68.87 lakhs representing the carrying value of those assets whose residual useful life is over, has been charged to the retained earnings as at April 1, 2014.

57 The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect.

58 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, 2015, 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.

59 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 LLP.
Chartered Accountants
Firm number: 002878S/S200021

CA. C R Krishna
Partner
Membership No:027990

Place: Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 05, #4-B, Chirapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman

CA. Vinayak Narayan Bapat
Managing Director

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

Kamlesh Gandhi
Director

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

Report on the Consolidated Financial Statements:

We have audited the accompanying consolidated financial statements of Kirloskar Electric Company Limited ("the Company"), its subsidiaries and an associate (collectively referred as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements:

The holding company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the 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 the 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 financial control relevant to the Group's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Group has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the

S.K. RAMADHYANI & CO. LLP BANGALORE-560 Chartered Accountants

appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the parent company's Directors, 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 qualified audit opinion on the consolidated financial statements.

Basis for Qualified Opinion:

1. Attention is invited to note 40 to the financial statements regarding debts exceeding two year and considered as good by management estimated at Rs.3,767.09 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts. We are unable to express an independent opinion on the same.

2. Attention is invited to foot notes 1 to 4 to note 6 to the financial statements regarding non consolidation of the financial statements of a) LDW, step down subsidiary of the parent company for the period from April 1, 2014 to September 7, 2014, pending receipt of data from the insolvency administrator appointed by the honourable court in Germany and that the Group had no control over the said subsidiary from September 8, 2014 although Kirsons BV (subsidiary of the parent company) continues to be its shareholder and b) Lloyd Beteiligungs GmbH, step down subsidiary of the parent company, pending receipt of financial statements.

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated 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, of the consolidated state of affairs of the Group as at March 31, 2015, its consolidated loss and its consolidated cash flows for the year ended on that date.

Other Matters

1. We did not audit the financial statements of a subsidiary whose financial statement reflect total assets of Rs.1,167.22 Lakhs as at March 31, 2015, total revenues of Rs. Nil Lakhs and total cash out flows of Rs.10.41 Lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements are audited by another auditor whose report has been furnished to us and our opinion is based solely on the report of the said auditor.

2. We did not audit the financial statements of an associate in which share of loss of the Group was Rs.27.85 Lakhs (restricted to the value of the investments). Unaudited financial statements as received from the said associate has been considered for the purpose of preparation of these consolidated financial statements. .

Our opinion is not qualified in respect of this matter.

Emphasis of Matter:

(a) Attention of the members is invited to note 53 to the consolidated financial statements, where in the directors have detailed the reasons for compiling the consolidated financial statements on a going concern basis, even though the net worth of the Group, has been eroded. The appropriateness of the said basis is subject to the Group adhering to the restructuring plan and infusion of requisite funds to it. We have relied on the representations made to us by the management. Our report is not qualified in this respect.

(b) Attention of the members is invited to note 54 to the consolidated financial statements which sets out that the parent company has filed special leave petitions in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honourable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on the comments in our reports on the audit of financial statements of the parent company and its subsidiaries incorporated in India, we give in the annexure a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. As required by the section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b. In our opinion, proper books of account as required by law relating to preparation of the consolidated financial statements have been kept so far as it appears from our examination of those books and report of other auditor.

   c. The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and Consolidated Cash Flow statement dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   e. On the basis of the written representations received from the directors as on March 31, 2015 taken on the record by the Board of Directors of the parent company and its subsidiaries incorporated in India, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.

   f. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,

S.K. RAMADHYANI & CO. LLP BANGALORE Chartered Accountants

i The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 27 to the consolidated financial statements;

ii The Group did not have any long-term contracts and has not entered into any derivative contracts. Accordingly no provision is required to be recognized in respect of material foreseeable losses under applicable laws or accounting standards.

iii There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the parent company as required. .

For B.K. Ramadhyani & Co LLP.
Chartered Accountants
Firm Registration No 002878S/S200021

C.R. Deepak

(CA C R Deepak)
Partner
Membership number 215398

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

Place: Bangalore
Date: May 29, 2015

ANNEXURE REFERRED TO IN PARAGRAPH 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 parent company and its subsidiaries incorporated in India y 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 of the parent company as per a phased program of physical verification. The discrepancies noticed on such verification were not material however the same has been properly dealt with in the books of account.

2. a. Inventories have been physically verified during the year by the management at reasonable intervals.

   b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the parent company/relevant subsidiaries incorporated in India and the nature of its business.

   c. The parent 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 parent 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 42 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. The parent company and its subsidiaries incorporated in India has not granted any loans to companies, firms and other parties covered in the register maintained under section 189 of the Act. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 46 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 parent 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 and services. However as detailed in notes 40 and 42 to the financial statements the same needs to be further strengthened to be commensurate with the size of the parent 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. In our opinion and according to the information and explanations given to us, the parent company has complied with the provisions of sections 73 to 76 of the Act or any other relevant provisions of the Act and the rules framed there under, with regard to deposits accepted from the public. Further and according to the parent 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.

6. We have broadly reviewed the Cost Records maintained by the parent company as prescribed by the Central Government under sub-section (1) of section 148 of the Act 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.

7. a. The parent company and its subsidiaries incorporated in India has been regular in depositing undisputed statutory dues including investor education and protection fund, sales tax, customs duty, value added tax, cess and other applicable statutory dues with the appropriate authorities barring delays in certain months ranging up to 5 months in the case of income tax deducted at source, up to 4 months delay in respect of provident fund and up to 2 months delay in employees' state insurance, excise duty and service tax. According to the information and explanations given to us, there are no undisputed amounts payable in respect of above mentioned statutory dues which were in arrears, as at March 31, 2015 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, the following dues of sales tax, income tax, customs duty, excise duty, value added tax, service tax and cess had not been deposited as at March 31, 2015 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	339.07	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 and September 2007	Central Excise and Service Tax Appellate Tribunal

B K RANADHYANI & CO. LLP BANGALORE-56 Chartered Accountants

	Cenvat availment	92.24	June 2006 , January 2008 to April 2010 & October 2008 to April 2010 September 2010 to March 2011	Commissioner of Central Excise (Appeals)
The Customs Act, 1962.	Customs demand	10.53	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	174.13	Assessment Year 2012 – 2013	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	1,190.43	1999 – 2000, 2005-2006 and 2008-2009	Joint Commissioner of Commercial Taxes
The Central Sales Tax Act, 1956 & Maharastra Value Added Tax Act, 2002	Sales tax demand	3,196.41	2010-11	The President, Maharashtra Sales Tax Tribunal, Mumbai (in respect of CST demand) & Deputy Commissioner of Sales Tax (Appeals) Pune

K. RAMAPRIYANI & CO. BANGALORE Chartered Accountants

c. According to the information and explanations given to us, the parent company has transferred matured deposits amounting to Rs.2.44 lakhs by remitting to Investor Protection Fund, in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder, which was pending in respect of resolution of disputes regarding beneficiaries under the directions of the Registrar of Companies.

8. In our opinion, the Group's accumulated losses as at the end of the financial year was more than fifty per cent of its net worth as at the year end. The Group has incurred cash losses during the financial year covered by our audit amounting to Rs.22,799.47 lakhs.

9. In our opinion and according to the information and explanations given to us, the parent company had defaulted in certain months during the year. However those loans were restructured by its consortium of banks and there were no overdues to banks as at the end of the year. In respect of a subsidiary, interest for the months of February and March 2015 was due amounting to Rs.66.71 lakhs.

10. In our opinion and according to the information and explanation given to us, the parent company and its subsidiaries incorporated in India has not given guarantees for loans taken by others from banks or financial institutions and accordingly clause 3 (x) of the Order is not applicable.

11. According to the information and explanations given to us, term loans are utilised for the purpose for which it was sanctioned.

12 According to the information and explanations given to us and to the best of knowledge and belief, no material frauds on or by the parent company and its subsidiaries incorporated in India that causes material misstatement to the financial statements have been noticed or reported during the year.

For B. K. Ramadhyani & Co LLP.
Chartered Accountants
Firm Registration No 0028785/S200021

C. R. Deepak

(CA C R Deepak)
Partner
Membership No. 215398

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

Place: Bangalore
Date: May 29, 2015

KIRLOSKAR ELECTRIC COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2015

Particulars	Note No.	As at March 31, 2015 Rs. In lakhs		As at March 31, 2014 Rs. In lakhs	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	7	6,913.85		5,052.14	
(b) Reserves and surplus	8	(22,188.65)		7,158.73	
			(15,274.80)		12,210.87
(2) Minority interest			3.00		(302.96)
(3) Non - current liabilities					
(a) Long term borrowings	9	9,078.45		9,044.04	
(b) Other long term liabilities	11	1,770.52		1,334.24	
(c) Long term provisions	12	1,547.44		1,351.22	
			12,396.41		11,729.50
(4) Current liabilities					
(a) Short term borrowings	13	15,681.14		21,027.42	
(b) Trade payables	14	19,054.57		30,996.55	
(c) Other current liabilities	15	7,856.25		17,107.72	
(d) Short term provisions	16	3,434.03		1,410.27	
			46,025.99		70,541.96
TOTAL			43,150.60		94,179.37
II. ASSETS					
(1) Non - current assets					
(a) Fixed assets					
(i) Tangible assets	17	8,895.44		15,125.88	
(ii) Intangible assets	17	922.21		1,444.85	
(iii) Capital work in progress	18	165.78		239.67	
		9,983.43		16,810.40	
(b) Good will on consolidation		-		17,151.34	
(c) Non - current investments	19	81.09		187.81	
(d) Deferred tax assets (net)	10	-		2,174.96	
(e) Long term loans and advances	20	2,064.29		1,773.12	
(f) Other non current assets	21	292.01		151.91	
			12,420.82		38,249.54
(2) Current assets					
(a) Inventories	22	9,340.14		23,378.33	
(b) Trade receivables	23	16,556.95		20,001.59	
(c) Cash and bank balances	24	2,010.84		7,288.74	
(d) Short term loans and advances	25	1,031.84		1,926.94	
(e) Other current assets	26	1,790.01		3,334.23	
			30,729.78		55,929.83
TOTAL			43,150.60		94,179.37

Significant accounting policies and notes attached form an integral part of the financial statements — 1 to 6, 27, 37 to 58

In Accordance with our report attached

For B K Ramadhyani & Co.LLP,
Chartered Accountants
Firm number: 002878S/S200021

C. R. Deepak

(CA. C R Deepak)
Partner
Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman

CA. Vinayak Narayan Bapat
Managing Director

Kamlesh Gandhi
Director

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

KIRLOSKAR ELECTRIC COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015

	Particulars	Note No.	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
I	Revenue from operations	28		51,034.64		99,103.24
II	Other income	29		1,300.06		2,943.88
III	**Total revenue (I + II)**			52,334.70		102,047.12
IV	Expenses					
	Cost of materials consumed	30	30,048.89		70,456.58	
	Changes in inventories of finished goods, work in progress and stock in trade	31	10,594.59		(44.72)	
				40,643.48		70,411.86
	Employee benefits expense	32		7,557.25		19,834.81
	Finance costs	33		4,546.65		4,938.75
	Depreciation and amortization expense	34		1,208.34		2,041.33
	Other expenses	35		10,887.08		14,640.78
				64,842.80		111,867.53
	Less: expenses capitalised			5.57		97.49
	Total expenses			64,837.23		111,770.04
V	**Loss before exceptional and extraordinary items and tax (III-IV)**			12,502.53		9,722.92
VI	Exceptional Items - refer foot note 3 to note 6			11,501.35		-
VII	Loss before tax (V + VI)			24,003.88		9,722.92
VIII	Tax expense:					
	(1) Current tax		-		62.77	
	(2) Deferred tax		-		(141.13)	
				-		(78.36)
IX	Loss after tax and before share of income from associates and minority interest			24,003.88		9,644.56
X	Adjustments:					
	Share of loss/(profit) in associates (net of tax)		27.85		(26.27)	
	Minority interest		-		(246.55)	
				27.85		(220.28)
XI	Loss for the year (IX + X)			24,031.73		9,424.28
XII	Earning per equity share before exceptional item:	37				
	Basic & diluted			(24.78)		(18.65)
XIII	Earning per equity share after exceptional item:	37				
	Basic & diluted			(47.53)		(18.65)
	Significant accounting policies and notes attached form an integral part of the financial statements	1, 2, 36, 37 to 58				

In Accordance with our report attached

For B K Ramadhyani & Co. LLP,
Chartered Accountants
Firm number: 0028785/S200021

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

Vijay R Kirloskar
Executive Chairman

Vinayak Narayan Bapat
Managing Director

(CA. C R Deepak)
Partner

Kamlesh Gandhi
Director

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

Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

KIRLOSKAR ELECTRIC COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

Particulars	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
Cash flows from operating activities				
Loss as per Statement of Profit & Loss		(24,031.73)		(9,424.28)
Less: Tax expense		-		(78.36)
		(24,031.73)		(9,502.64)
Adjustments for:				
Depreciation and amortisation	1,208.34		2,041.33	
Provisions (Net)	2,819.44		31.75	
Loss/(profit) on sale of fixed assets	307.27		(1,224.29)	
Share of income from associates	27.85		26.27	
Effect on exchange fluctuation	-		51.63	
Exceptional item	11,501.35		-	
Interest received	(107.96)		(64.77)	
Dividends received	(6.78)		(7.03)	
Finance costs	4,546.65		4,938.75	
		20,296.16		5,793.64
		(3,735.57)		(3,709.00)
(Increase)/ decrease in trade and other receivables	(882.89)		2,871.69	
(Increase)/ decrease in inventories	6,070.46		(779.93)	
Increase/ (decrease) in trade payables and other current liabilities	(5,939.46)		6,189.00	
		(751.89)		8,280.76
		(4,487.46)		4,571.76
Income taxes paid		46.00		415.59
Net cash from operating activities		(4,533.46)		4,156.17
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,184.85)		(1,792.73)	
Proceeds from sale of property, plant and equipment	1,394.57		1,659.43	
(Increase)/decrease in other bank balances	1,614.65		(297.95)	
Interest received	107.96		64.77	
Dividend received	6.78		7.03	
Net cash from investing activities		1,939.11		(359.45)
Cash flows from financing activities				
Proceeds from issue of share capital	2,405.05		-	
Proceeds from issue of shares to minority	3.00		-	
Proceeds from long term borrowings	1,517.07		4,843.79	
Repayment of long term borrowings	-		(1,499.22)	
Proceeds from ICD's	14,856.98		14,722.00	
Repayment of ICD's	(14,553.00)		(15,347.26)	
Fixed deposits from public accepted	-		3,071.00	
Repayment of fixed deposits from public	(1,070.14)		(1,787.50)	
Increase/ (decrease) of short term borrowings (net)	2,330.87		(515.09)	
Repayment of finance lease obligation	(514.40)		464.44	
Finance costs	(3,932.99)		(4,929.25)	
Net cash from financing activities		1,042.44		(977.09)
Net increase/(decrease) in cash and cash equivalents		(1,551.01)		2,819.63
Cash and cash equivalents at beginning of the year		4,729.65		1,910.02
Adjustment for cash balance on account of loss of control in subsidiary		2,111.84		
Cash and cash equivalents at end of the year		1,066.40		4,729.65

Cash & 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	2,010.84	7,288.74
Less: Other bank balances	944.44	2,559.09
Cash and cash equivalents as restated	1,066.40	4,729.65

In Accordance with our Report attached

For B K Ramadhyani & Co. LLP,
Chartered Accountants
Firm number: 002878S/S200021

C. R. Deepak

CA. C R Deepak
Partner

Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chinnapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman

Vinayak Narayan Bapat
Managing Director

Kamlesh Gandhi
Director

CS. K S Swapna Latha
General Manager & Assistant Company Secretary

KIRLOSKAR ELECTRIC COMPANY LIMITED
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 consolidated financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates (collectively referred as "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, 2015. 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 consolidated financial statements of the Group have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India, including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

4 PRINCIPLES OF CONSOLIDATION:

a) The financial statements of the 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 in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements .

b) The stepdown 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 & loss.

c) Lloyd Dynamowerke GmbH & Co. KG ("LDW") and Lloyd Beteiligungs GmbH were classified as 'Non Integral Foreign Operations'. Revenue items were consolidated at the average rate prevailing during the year and all assets and liabilities were converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation was recognised in the Foreign currency translation reserve.

d) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries and associates are recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

e) Investments in associate companies have been accounted under the equity method as per AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

f) 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.

RAMADHYANI & CO. BANGALORE-560

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 less amortisation.

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 other than those which are considered as temporary in nature.

5.4 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued at cost on weighted average basis 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 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.

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

c) Depreciation on assets (other than furniture and fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged on straightline method as per the useful life in Schedule II of the Companies Act, 2013 on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold except in case of certain plant & machinery whose useful life is assessed by a certified external technical expert's assessment. For the assets acquired prior to April 1, 2014 the carrying amount as on April 1, 2014 is depreciated on straightline basis over the remaining useful life based on Schedule II of the Companies Act, 2013. The useful life of plant and machinery and tools different from that specified in Schedule II to the said act are ranging from 1 to 25 years. Assets whose individual value is less than Rs.5,000/- is depreciated fully.

LDW:

Depreciation on assets was 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 & Buildings	25 years
3)	Technical Equipment & Machinery	4 to 21 years
4)	Other equipment, factory & 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

Kirsons BV

Depreciation on technical know-how fees is amortised over a period of ten years.

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 products and services are recognized on shipment of goods and transfer of significant risks and rewards to customers or when the service has been provided. Net sales are stated at contractual realisable values, net of excise duty, service tax, value added tax and trade discounts.

(b) Interest income is recognised on time proportion basis.
(c) Dividend income is recognised, when the 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.K. RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

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 TRANSACTIONS:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

e) The Company has entered into forward exchange contracts, which are not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

5.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

5.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to Statement of Profit & Loss.

5.13 PROVISIONS & 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	Nature of relationship	Country of Incorporation	Proportion of Ownership	
			Current Year	Previous year
Kelbuzz Trading Prive Limited	Subsidiary	India	100%	-
Luxqusite Parkland Private Limited	Subsidiary	India	100%	-
SKG Terra Promonede Private Limited	Subsidiary	India	100%	-
SLPKG Estate Holdings Private Limited	Subsidiary	India	100%	-
Kirsons BV	Subsidiary	The Netherlands	100%	100%
Lloyd Dynomowerke GmbH & Co KG ("LDW")	Subsidiary	Germany	Refer foot notes	94.89%
Lloyd Beteiligungs GmbH	Subsidiary	Germany		100%
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	Associates	Bahrain		33.33% of its capital is held
Kirloskar (Malaysia) Sdn.Bhd.	Associates	Malaysia	30%	30%

Foot note:

1 Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, incurred substantial losses during the previous two years, thereby eroding its net worth. The local directors of LDW filed a preliminary insolvency petition on September 8, 2014 and on September 9, 2014 preliminary insolvency was declared and preliminary insolvency administrator was appointed by the court in Germany.

2 The group has been given to understand that a South Korean company acquired all significant assets, patents, estates, orders and employees of LDW. However, relevant details of the consideration for this transfer and all other relevant information are not available with the group, in spite of its best efforts. The group has already filed its claim for an approximate value of Euro 3.52 million in respect of outstanding towards supplies made to LDW including dues of Kirsons B V (immediate holding company of LDW). The group has also appointed a local legal counsel to represent its interest, prepare a case for recovering damages and file a case against the lenders of LDW and few other parties.

B K RAMADHYANI & CO. LLP Chartered Accountants BANGALORE-53

3 As per German law from the date of filing preliminary insolvency petition, all disposals by LDW may be executed/made only with the consent of the insolvency administrator. The group has been advised that from a German legal perspective, Kirsons BV (wholly owned subsidiary of the Company) lost control over LDW on September 8, 2014 and is not in a position any longer to obtain any economic benefits from such activities, although it continues to be the major shareholder of LDW. Further, the insolvency administrator has already disposed off all significant assets, patents, estates, orders and employees of LDW to the South Korean Company and mere distribution of assets of LDW amongst its creditors is pending. The group has been given to understand that the financial statements of LDW, either for the financial year 2014-15 or for the period from April 1, 2014 to September 8, 2014 have not been prepared. Accordingly, these consolidated financial results (CFS) do not include any transactions of LDW for the year. Further, since the group has lost control over LDW during the year, all assets and liabilities of LDW as at April 1, 2014 and recognised in the CFS for the financial year 2013 - 14 have been derecognised and the resultant deficit (after restoring certain intangible assets transferred from LDW to Kirsons BV in prior years and eliminated in the CFS in the year 2013 - 14 as an intra group transaction) has been recognised in the CFS for the current year as an exceptional item.

4 No financial statements have been received from Llyod Beteillgungs GMBH for the year and accrodingly, have not been consolidated in these financial statements. In the opinion of the management, impact of the same will not be material.

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
7 Share capital:				
Authorized:				
Preference Shares of Rs.100/- each	**3,000,000**	**3,000.00**	3,000,000	3,000.00
Equity shares of Rs.10/- each	**60,000,000**	**6,000.00**	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of Rs.100/- each				
Issued during the year	**1,595,890**	**1,595.89**	-	-
At the close of the year	**1,595,890**	**1,595.89**	-	-
Equity shares of Rs.10/- each				
At the beginning of the year	**50,521,367**	**5,052.14**	50,521,367	5,052.14
Issued during the year	**2,658,200**	**265.82**	-	
At the close of the year	**53,179,567**	**5,317.96**	50,521,367	5,052.14
Total		**6,913.85**		5,052.14

Foot Notes:

I.A 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 approved 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, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	**2,376,746**	**2,376.75**	2,376,746	2,376.75

c. During the year, the Company has issued and alloted 1,595,890 Compulsorily Convertible Preference Share ("CCPS") of Rs.100/- , to Vijay R Kirlosar ("Promoter") by way of private placement for a tenor not exceeding 18 months which will carry a preferential cumulative dividend of 0.1% per annum, payable till the date of conversion into equity shares. CCPS held by the promoter will get converted into 5,242,740 equity shares of Rs.10/- each for cash at a premium of Rs.20.44 in two tranches in accordance with the SEBI Regulations and such issue and allotment of equity shares resultant on conversion of the preference shares will be made at such times and in such manner as the Board may in its absolute discretion think fit, at the time of conversion.

d. Particulars of preference share holders holding more than 5% of the total number of preference share capital:

	As at March 31, 2015		As at March 31, 2014	
	Number	Percentage	Number	Percentage
Mr. Vijay R Kirloskar	**1,595,890**	**100%**	-	-

B K RAMADHYANI & CO. LLP Chartered Accountants

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
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:	As at March 31, 2015		As at March 31, 2014	
	Number	Rs in Lakhs	Number	Rs in Lakhs
(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 allotted includes 6,174,878 equity shares of Rs.10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii) Shares allotted 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.	**2,000,000**	**200.00**	2,000,000	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.	**6,000,000**	**600.00**	6,000,000	600.00
(iv) Shares allotted during the year to Vijay R Kirloskar at a premium of Rs 20.44 per share	**2,658,200**	**265.82**	-	-

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

	As at March 31, 2015		As at March 31, 2014	
	Number	Percentage	Number	Percentage
(i) Abhiman Trading Company Private Limited	**5,217,063**	**9.81%**	5,217,063	10.33%
(ii) Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**8.01%**	4,257,682	8.43%
(iii) KECL Investment Trust	**6,174,878**	**11.61%**	6,174,878	12.22%
(iv) Mr. Vijay Ravindra Kirloskar	**6,571,469**	**12.36%**	3,913,269	7.75%
(v) Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**5.76%**	3,064,094	6.06%
(vi) Vijay Farms Private Limited	**3,540,807**	**6.66%**	3,540,807	7.01%
(vi) Life Insurance Corporation of India	**2,576,571**	**4.85%**	2,576,571	5.10%

B K RAMADHYANI & CO. LLP BANGALORE-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs In Lakhs
8 Reserves and surplus:		
a) Capital reserve		
At the beginning of the year	2,039.35	1,738.29
Adjustments during the year	(2,021.29)	301.06
At the close of the year	18.06	2,039.35
b) Securities premium reserve		
At the beginning of the year	-	-
Received during the year (refer foot note 2(iv) to Note 7)	543.34	-
At the close of the year	543.34	-
c) 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
d) Debenture redemption reserve		
At the beginning of the year	494.00	494.00
Transferred to Statement of Profit & Loss	(494.00)	
At the close of the year	-	494.00
e) Revaluation reserve		
At the beginning of the year	480.41	480.41
Tranferred to general reserve	(271.75)	-
At the close of the year	208.66	480.41
f) Foreign Currency translation reserve		
At the beginning of the year	3,823.61	967.99
Adjustments during the year	(3,823.61)	2,855.62
At the close of the year	-	3,823.61
g) Capital Reserve on consolidation	54.78	-
h) Reconstruction Reserve		
At the beginning of the year	641.67	641.67
At the close of the year	641.67	641.67
i) Reserve for doubtful debts		
At the beginning of the year	90.00	90.00
At the close of the year	90.00	90.00
J) General Reserve		
At the beginning of the year	-	-
Transferred from Revalution reserve	271.75	-
Transferred to statement of profit & loss	(271.75)	-
At the close of the year	-	-
k) Surplus i.e. balance in statement of profit and loss		
At the beginning of the year	(2,812.06)	6,612.22
Incremental depreciation in terms of Schedule II to the Companies Act, 2013 of assets whose remaining useful life is Nil as on April 1, 2014	(68.87)	-
Transferred from debenture redemption reserve	494.00	
Transferred from general reserve	271.75	
Transferred from Statement of Profit and Loss	(24,031.73)	(9,424.28)
At the close of the year	(26,146.91)	(2,812.06)
TOTAL CLOSING BALANCE	(22,188.65)	7,158.73

BBK RAMADHYANI & CO. LLP BANGALORE-56 Chartered Accountants

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
9 Long term borrowings		
1) Secured loans:		
a. Finance lease obligations	-	514.40
b. Car Loan from a Company	-	10.95
c. Loan from a bank	7,101.45	7,363.76
	7,101.45	7,889.11
Less:		
Current maturities	-	2,822.95
	7,101.45	5,066.16
2) Unsecured loans:		
Fixed deposits	3,893.10	4,336.20
	3,893.10	4,336.20
Less:		
Current maturities	1,916.10	358.32
	1,977.00	3,977.88
3) Total long term borrowings (1+2)	9,078.45	9,044.04

Additional information:

1) Details of security for secured loans:		
a. Against assets purchased on finance lease	-	514.40
b. Against security of Motor car	-	10.95
c. Term loans (including funded interest term loan) from consortium banks in India are secured against pari passu charge on current assets as primary security, and pari passu first charge on certain immovable properties of the Company and guaranteed by the Executive Chairman of the Company.	7,101.45	-
d. Term loan from a bank in India is secured against the equitable mortgage of certain immovable properties of the Company and guaranteed by the Executive Chairman of the Company		3,000.00
e. Term Loan at LDW is secured by first charge on specific Land & building, Plant & Machinery procured by LDW	-	411.68
f. Term loat at Kirsons BV is secured by pledge of shares of subsidiary and gurantee 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 equitable mortgage of certain immovable properties of the Company.	-	2,099.54
g. 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

2) Terms of repayment of term loans and others

a) **Finance lease**

i) Finance lease in India was 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.

ii) Finance lease at LDW carries a interest of 8.73% and repayble in 60 equal monthly installments comencing from October 2012 to September 2017.

b) **Car Loans:**

Car loan was 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) Funded interest term loans and working capital term loans from banks in India carry an interest of 11% and repayable in 60 monthly instalments starting from April 30, 2016.

ii) Certain term loans at LDW was repayable in 40 quarterly instalments of €25,000 each and carry an interest rate equal to 3 months Euribor plus 2%

iii) Certain term loans at LDW was repayable in half yearly instalments and was carrying an interest rate of 5% to 7.37%

iv) Term Loan at Kirsons BV was repayable in 20 quarterly instalments of €850,000 each and was carrying an interest of Euribor plus 2%

3) Unsecured Loans:

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

ii) Fixed deposits include Rs.18.10 Lakhs matured and unclaimed.

4) During the year the Company has restructured its loans under Joint Lenders Forum mechanisam ("JLF"). As per the JLF, interest on cash credit accounts for the period October 2014 to September 2015 and on working capital demand loan from October 2014 to March 2016 will be converted into Funded Interest Term Loan.Necessary entries are passed both in certain banks and the Company as at the end of the year based on individual sanctions of the bank except in respect of a bank pending receipt of sanctioned letter, its overdue interest of Rs.74.80 lakhs has been converted into funded term loan in books of account. Further, the joint deed and other documentations in pursuance of the JLF is expected to be completed as permited in the extant guidelines of the JLF mechanism.

B K RAMADHYANI & CO. LLP BANGALORE Chartered Accountants

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
10 Deferred tax:		
In India		
i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,864.82**	1,899.52
Total	**1,864.82**	1,899.52
ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**1,313.66**	1,067.23
b) On account of Unabsorbed depreciation under the Income Tax Act, 1961 (restricted to)	**551.16**	832.29
Total	**1,864.82**	1,899.52
Net Deferred tax (liability)/asset	-	-
In Germany		
i) Deferred tax liability:		
a) Dissolution from supplementary tax balance sheet	-	15.88
b) On account of timing differences in recognition of expenditure	-	0.57
Total	-	16.45
ii) Deferred tax asset:		
a) On account of depreciation on fixed assets	-	1,242.96
b) On account of timing differences in recognition of expenditure	-	0.45
c) On account of unabsorbed losses and depreciation available under the relevant fiscal legislations.	-	948.00
Total	-	2,191.41
Net Deferred tax asset	-	*2,174.96*
Total Net Deferred tax asset	-	2,174.96
11 Other Long term liabilities		
Security deposits from suppliers, dealers etc	**1,770.52**	1,334.24
	1,770.52	1,334.24
12 Long term provisions		
Employee defined benefit plans (refer note 47)	**1,547.44**	1,351.22
	1,547.44	1,351.22

B K RAMADHYANI & CO LLP Chartered Accountants BANGALORE

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
13 Short term borrowings		
1) Secured loans:		
a) Loans repayable on demand		
- from banks	**11,968.41**	16,984.13
b) Loan against pledge of fixed deposit from bank	**6.91**	14.41
	11,975.32	16,998.54
2) Unsecured loans:		
a) Fixed deposits	**7.10**	634.14
b) Inter corporate deposits	**3,698.72**	3,394.74
	3,705.82	4,028.88
Total	**15,681.14**	21,027.42

1) **Details of security for secured loans:**

a) Loan from consortium banks are secured against first pari passu charge on all current assets and certain fixed assets and the said credit facilities have been guaranteed by the Executive Chairman of the Company and carry an interest of 11% p. a.	**9,233.32**	9,630.04
b) Loan from a bank is secured against the equitable mortagage of certain fixed assets of the Company and guaranteed by the Executive chairman of the Company. Further it carry an interest of 13.85% p.a.	**2,735.09**	-
c) Against pledge of fixed deposits	**6.91**	14.41
d) 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%	-	7,354.09

2) **Unsecured loans:**

a) Fixed deposits are taken for a period of 12 months with interest rate of 11.5%

b) Fixed deposits accepted from related parties amount to Rs.Nil (as at March 31, 2014: Rs.100 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.25.80 lakhs (as at March 31, 2014: Rs.36.24 lakhs) matured unclaimed deposits.

Particulars		As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
14 Trade payables			
i)	Trade payables	**14,597.20**	17,635.61
ii)	Acceptances	**4,457.37**	13,360.94
		19,054.57	30,996.55

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, 2015	As at March 31, 2014
1	Principal amount due and remaining unpaid	73.43	57.40
2	Interest due on (1) above and the unpaid interest	20.58	12.75
3	Interest paid on all delayed payments under the MSMED Act	Nil	Nil
4	Payment made beyond the appointed day during the year	104.48	65.19
5	Interest due and payable for the period of delay other than (3) above	20.58	12.75
6	Interest accrued and remaining unpaid	20.58	12.75
7	Amount of further interest remaining due and payable in succeeding years	33.33	12.75

15 Other current liabilities:			
a)	Current maturities of finance lease obligations	-	184.08
b)	Current maturities of car loan from a Company	-	10.95
c)	Current maturities of fixed deposit	**1,916.10**	358.32
d)	Current maturities of secured loan from bank	-	2,627.92
e)	Interest accrued but not due on deposits	**375.17**	235.40
f)	Statutory liabilities	**705.63**	844.26
g)	Other liabilities	**2,789.10**	5,150.39
h)	Trade advances	**2,070.25**	7,390.81
i)	Advance for sale of asset	-	305.59
		7,856.25	17,107.72
16 Short term provisions:			
a)	Short term compensated absences	**17.11**	18.61
b)	Wage arrears	**400.24**	245.02
c)	Warranty	**597.90**	843.75
d)	Stamp duty	**895.38**	110.40
e)	Taxation (net of advance tax outside India)	**5.26**	6.08
f)	Contingencies	**1,518.14**	186.41
		3,434.03	1,410.27

B K RAMADHYANI & CO. LLP BANGALORE-56 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 Fixed Assets:

Rs in Lakhs

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at April 1, 2014	Additions for the year	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2015	As at April 1, 2014	For the year #	Deductions / adjustments during the year	Adjustments on account of Control lost on subsidiary	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Tangible Assets												
Own assets												
Land	1,788.41		297.15	560.79	930.47	-				-	930.47	1,788.41
Building (*)	6,517.89	4.61	187.95	1,288.35	5,046.20	2,153.96	156.23	35.76	505.78	1,768.65	3,277.55	4,363.93
Plant & equipment	20,910.90	36.88	912.75	5,733.94	14,301.09	15,451.07	676.86	877.54	4,347.85	10,902.54	3,398.55	5,459.83
Tools & jigs	1,479.58	67.33	8.60	-	1,538.91	889.83	53.81		-	943.64	595.27	589.75
Electrical installations	206.76			-	206.76	104.73	26.18	-		130.91	75.85	102.03
Motor vehicles	519.65		98.44	44.50	376.71	329.59	56.44	34.44	39.69	311.90	64.81	190.06
Office equipments	2,188.36	18.00	(6.75)	2,093.97	119.14	1,633.27	28.15	(7.06)	1,601.46	67.02	52.12	555.09
Furniture & fittings	1,450.58	6.89	181.85	283.05	992.57	1,143.19	118.73	182.92	280.42	798.58	193.99	307.39
Leasehold improvements	313.35				313.35	64.75	10.47		-	75.22	238.13	248.60
Assets taken on finance lease	-				-	-				-		
Land ($)	1,519.74		1,451.04	-	68.70	-				-	68.70	1,519.74
Plant & machinery	1,033.39				1,033.39	1,032.34	1.05			1,033.39	-	1.05
	37,928.61	134.31	3,131.03	10,004.60	24,927.29	22,802.73	1,127.92	1,123.60	6,775.20	16,031.85	8,895.44	15,125.88
Intangible assets												
Goodwill	423.46				423.46	423.46				423.46	-	-
Computer software	2,197.55	74.75		1,713.69	558.61	1,516.95	44.93		1,090.56	471.32	87.29	680.60
Technical knowhow & product development	316.99	939.28		169.06	1,087.21	218.37	104.36		70.44	252.29	834.92	98.62
Assets taken on finance lease												
Computer software	739.59	-	-	739.59	-	73.96	-	-	73.96	-	-	665.63
	3,677.59	1,014.03	-	2,622.34	2,069.28	2,232.74	149.29	-	1,234.96	1,147.07	922.21	1,444.85
Total	41,606.20	1,148.34	3,131.03	12,626.94	26,996.57	25,035.47	1,277.21	1,123.60	8,010.16	17,178.92	9,817.65	16,570.73
	(38,968.14)	*(1,982.42)*	*(-654.97)*	-	*(41,606.20)*	*(22,265.04)*	*(2,041.32)*	*(-729.11)*		*(25,035.47)*		

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 lakhs. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the relevant title will pass to the Company.

3) (#) Includes Rs 68.87 lakhs debited to surplus vide note 8 (j) of the financial statements.

B K RAMADHYANI & CO. LLP
BANGALORE-55
Chartered Accountants

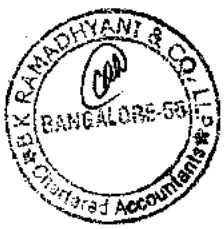
Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
18 Capital work in progress:		
i) Plant and machinery	-	74.10
ii) Building under construction $	165.78	165.57
	165.78	239.67

$ 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.

Details of investments	Name of the Company	As at March 31, 2015 No of shares	Face value	Rs. In Lakhs	As at March 31, 2014 No of shares	Face value	Rs. In Lakhs
19 Non Current Investments:							
a) Investments in equity instruments:							
i) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	300,000	MR1	-	300,000	MR1	27.85
	Electrical Machines Industries (Baharin) WLL	-	-	-	-	-	78.86
ii) Others							
Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	5,405	2	1.00	1,081	10	1.00
	The Mysore Kirloskar Ltd (refer note 3 below)	770,750	10	-	770,750	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	8.53
	Kirsons Trading Pte.Ltd	56,250	SGD 1	11.20	56,250	SGD 1	11.20
	Kirloskar Power Equipment Ltd	340,000	10	59.09	340,000	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			81.09			187.81
Additional Information:							
1) Aggregate value of quoted investments:							
Cost				1.00			1.00
Market Value				67.29			13.46
2) Aggregate value of unquoted investments:							
Cost				80.09			186.81

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

Particulars	As at March 31, 2015 Rs in Lakhs	As at March 31, 2014 Rs in Lakhs
20 Long term loans and advances:		
(Unsecured and considered good)		
i) Capital advances	**421.40**	90.29
ii) Security deposits	**435.06**	386.28
iii) Loans and advances to related parties	**135.98**	280.00
iv) Disputed statutory liabilities/ taxes paid	**1,071.85**	1,016.55
	2,064.29	1,773.12
Amount due from a private company in which a director of the Company is a director	**100.00**	100.00
21 Other non current assets		
(unsecured and considered good)		
i) Long term trade receivables	**173.76**	78.85
ii) Advance payment of tax (net)	**118.25**	73.06
	292.01	151.91



KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs
22 Inventories:		
i) Raw materials, stores and spares, components (*)	1,511.22	4,943.60
ii) Work in progress	6,803.90	15,397.94
iii) Finished goods	1,053.94	2,995.11
iv) Others (scrap stock)	24.63	4.24
Goods in transit:		
i) Raw materials, Stores and spares, components (*)	-	11.22
ii) Finished goods	2.39	82.16
	9,396.08	23,434.27
Less: Provision for non-moving stocks	55.94	55.94
	9,340.14	23,378.33
(*) Stores and spares, components are not seperately ascertainable		
23 Trade receivables:		
i) Trade receivables exceeding six months	6,451.32	6,451.32
ii) others	10,667.03	14,922.12
	17,118.35	21,373.44
Less: Allowance for doubtful debts	561.40	1,371.85
	16,556.95	20,001.59
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	16,556.95	20,001.59
ii) Doubtful	561.40	1,371.85
Total	17,118.35	21,373.44
Less:		
Allowance for doubtful debts	561.40	1,371.85
	16,556.95	20,001.59
Debts due by private companies in which directors of the Company are directors	8.48	8.48
24 Cash and bank balances:		
a) Cash and cash equivalents:		
i) Balances with banks		
- in other accounts	1,056.60	4,710.13
ii) Cash on hand	9.80	6.14
iii) Funds in transit	-	13.38
	1,066.40	4,729.65

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs
b) Other bank balances:		
i) Balances with banks		
- in short term deposits	104.31	78.09
- in margin money, security for borrowings, guarantees and other commitments	840.13	2,481.00
	944.44	2,559.09
Total (a + b)	2,010.84	7,288.74
25 Short term loans and advances:		
i) Loans and advances to related parties (refer note 49)	341.91	601.59
ii) Others	1,066.16	1,674.49
	1,408.07	2,276.08
Less: Allowance for doubtful advances	376.23	349.14
	1,031.84	1,926.94
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	1,031.84	1,926.94
ii) Doubtful	376.23	349.14
Total	1,408.07	2,276.08
Less:		
Allowance for doubtful advances	376.23	349.14
	1,031.84	1,926.94
2) Debts due by private companies in which directors of the Company are directors	336.45	252.77
26 Other Current assets		
i) Central excise receivable	452.01	730.00
ii) VAT receivable	1,210.13	1,877.86
iii) Assets held for sale	793.09	793.09
	2,455.23	3,400.95
Less:		
Provision for asset held for sale	665.22	66.72
	1,790.01	3,334.23

B.K RAMADHYANI & CO. LLP
BANGALORE-55
Chartered Accountants

Particulars	As at March 31, 2015 Rs in Lakhs	As at Mar 31, 2014 Rs in Lakhs

27 Contingent liabilities and commitments:

(to the extent not provided for)

a) Contingent liabilities:

i)	Claims against the Company not acknowledged as debts	1,568.89	1,367.78
ii)	Guarantees	7,564.04	13,906.07
iii)	Letters of credit	4,185.21	5,634.68
iv)	Bills discounted with Bank	1,708.08	1,864.81
v)	Penal damages levied by the Regional Provident Fund Commissioner. During the privious year the Honorable High Court of Karnataka, Banagforequased the demand and referred the matter to the original authority. An amount of Rs.46.18 lakhs paid has been included in disuted statutory dues.	Nil	Nil
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	303.20	338.62
vii)	Sales tax demanded under appeal (includes demand raised in respect of CST Act, 1956 amounting to Rs 2,836.95 lakhs and Maharashtra Value Added Tax, 2002 amounting to Rs 399.46 lakhs which are disputed by the Company before the Appellant authorities for wrong demand raised, pending revision). The Company has paid an aggregate amount of Rs. 643.46 lakhs (as at March 31, 2014 603.46 lakhs) against the demand which has been included in disputed statutory dues.	5,182.06	1,515.83
viii)	The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company has paid an aggregate amount of Rs.530.13 lakhs (as at March 31, 2014 Rs.510.13 lakhs) against the demand which has been included in disputed statutory dues as reported in Note 16.	889.00	889.00
ix)	Income tax deducted at source demand under the traces software for short and non remittances of tax deduction at source – matter under examination.	219.10	10.22
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	0.90	Not Ascertainable
xiii)	Income tax demands under appeal. The Company has paid an amount of Rs.48.82 lakhs as at March 31, 2015 (as at March 31, 2014 Rs.48.82 lakhs) against the demand which has been included in advance payment of tax.	238.51	398.13
xiv)	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, 2014 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
xv)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	1,162.50	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. However, as a matter of abundent caution an adhoc provision of Rs.165 lakhs has been made for any likely outflow.

b) Commitments

i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	1,527.91
ii)	The Company has entered into an agreement with a related party to sell a portion of an immovable property owned by it.	-	305.59

B.K. RAMADHYANI & CO. LLP
BANGALORE-65
Chartered Accountants

Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
28 Revenue from operations:		
i) Sale of products		
Motors, alternators and generators	28,106.64	67,434.68
Transformers	16,245.27	23,565.86
DG sets	5,171.07	7,241.88
Others	5,128.68	6,801.42
Total	54,651.66	105,043.84
ii) Sale of services	775.36	916.06
	55,427.02	105,959.90
Less:		
Excise duty	4,392.38	6,856.66
	51,034.64	99,103.24
29 Other income:		
i) Interest income	107.96	64.77
ii) Dividend income from non current investments	6.78	7.03
iii) Profit on sale of fixed assets (net)	-	1,224.29
iv) Other non operating income		1,182.04
iv) Unclaimed credit balance written back	89.19	82.86
v) Rent received	24.68	102.52
vi) Miscellaneous income	1,071.45	280.37
	1,300.06	2,943.88
30 Cost of materials consumed:		
Consumption of raw materials, components, stores and spare parts*	30,048.89	70,456.58
	30,048.89	70,456.58
* Value of stores and spare parts not ascertained separately		
Additional information:		
1 i) Copper (Wires, strips, rods, sheets etc)	8,194.30	11,370.66
ii) Iron and steel (pigiron, rounds, plates, sheets , etc.,)	6,942.52	7,675.34
iii) Others	14,912.07	51,410.58
2 Cost of materials consumed includes Rs. Nil (Previous year Rs.55.94 Lakhs) towards Provision for slow and non moving inventory.		
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	5,309.29	11,852.95
Transformers	965.59	1,948.40
DG Sets	499.18	1,536.36
Others	29.84	60.23
Total	6,803.90	15,397.94
ii) Finished goods		
Motors, alternators and generators	826.65	1,862.88
Transformers	123.81	1,004.67
DG sets	17.38	29.50
Others	88.49	180.22
Total	1,056.33	3,077.27
iii) Scrap	24.63	4.24
	7,884.86	18,479.45
Less:		
Stocks at the beginning 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
	10,594.59	(44.72)

K. RAMADHYANI & CO. LLP BANGALORE-85 Chartered Accountants

Particulars		Current Year Rs in Lakhs		Previous Year Rs in Lakhs
32 Employee benefit expenses:				
i)	Salaries, wages and bonus	5,937.62		15,872.11
ii)	Contribution to provident and other funds	683.85		2,815.62
iii)	Staff welfare expenses	935.78		1,147.08
		7,557.25		19,834.81
33 Finance costs:				
i)	Interest expense	4,219.48		4,320.58
ii)	Amortisation of premium on forward contract	-		9.78
iii)	Other borrowing costs	327.17		608.39
		4,546.65		4,938.75
34 Depreciation and amortization:				
i)	Depreciation	1,059.05		1,633.62
ii)	Amortization of intangible assets	149.29		407.71
		1,208.34		2,041.33
35 Other expenses:				
i)	Power and fuel	780.34		1,687.27
ii)	Rent	380.14		529.79
iii)	Repairs to buildings	77.72		186.97
iv)	Repairs to machinery	182.52		433.69
v)	Repairs to others	315.87		823.91
vi)	Vehicle maintenance	29.04		73.35
vii)	Insurance	37.28		374.76
viii)	Rates and taxes	1,167.67		171.49
ix)	Payment to auditors	88.70		231.04
x)	Selling expenses	1,641.09		2,623.79
xi)	Commission	72.27		887.31
xii)	Warranty claims	441.25		468.62
xiii)	Allowance for doubtful trade receivables	-		679.84
xiv)	Allowance for doubtful loans and advances	44.08		11.96
xv)	Net (gain)/loss on foreign currency transaction and translation	321.86		818.10
xvi)	Bad trade receivables written off	1,496.36	177.52	
	Less: Allowance for doubtful trade receivable withdrawn	810.45	134.59	
		685.91		42.93
xvii)	Irrecoverable loans and advances written off	29.96	-	
	Less: Allowance for doubtful loans & advances withdrawn	16.99	-	
		12.97		-
xviii)	Loss on sale of fixed asset (net)	307.27		-
xix)	Donations	2.20		5.95
xx)	Legal and professional charges	590.55		1,479.95
xxi)	Travelling	564.31		1,120.71
xxii)	Printing and stationary	62.58		93.42
xxiii)	Postage, telgrams and telephones	158.66		213.08
xxiv)	Directors sitting fees	13.65		13.05
xxv)	Provision for assets held for sale	598.50		66.72
xxvi)	Provision for contingencies	1,518.14		-
xxvii)	Miscellaneous expenses	792.51		1,603.12
		10,887.08		14,640.78

Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
36 Additional Information: (relating to India operations)		
a) Value of imports calculated on CIF basis:		
I) Raw Materials, Components and spare parts	387.40	2,052.31
II) Capital goods	9.53	-
b) Expenditure in foreign currency: (net of withholding tax)		
I) Professional, consultancy and other fees	35.24	-
II) Travel	99.94	149.75

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	358.64	1.03%	2,798.95	5.11%
ii)	Value of indigenous raw materials, spare parts and components consumed	34,545.06	98.97%	52,024.20	94.89%
		34,903.70	100%	54,823.15	100%

d) Details of non-resident shareholdings			
i)	Number of nonresident share holders	388	420
ii)	Number of shares held by nonresident shareholders	2,208,728	2,246,425
e) Earnings in foreign exchange:			
i)	Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	4,336.83	5,678.98
ii)	Dividends received	6.52	8.47
iii)	Remittances from overseas offices (Net)	289.42	467.90

37 Earnings per share:

(i)	*Basic and diluted before exceptional item*		
	Loss for the year after tax expense	24,031.73	9,424.28
	Less:		
	Exceptional item	11,501.35	-
		12,530.38	9,424.28
	Weighted average number of equity shares	50,565,063	50,521,367
	Loss per share	24.78	18.65
(ii)	*Basic and diluted after exceptional item*		
	Loss for the year after tax expense	24,031.73	9,424.28
	Weighted average number of equity shares	50,565,063	50,521,367
	Loss per share	47.53	18.65

The effect of potential equity shares are antidilutive.

B K RAMADHYANI & CO LLP BANGALORE-560 Chartered Accountants

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 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.

(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 if any, will be made on completion of review/reconciliation. In the assessment of the management, effect on revenue is not expected to be material.

41 The customers of the Company have deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made/will make representations to such customers explaining reasons for delays as well as impress upon them that the same were caused by various factors including those not attributable to it and as such being beyond its control. The Company has made necessary provision on an overeall assessment of the likely loss where in its opinion waiver is not likely. The Company is confident that its representations will be accepted by customers and liquidated damages and other charges deducted will be waived. Impact, if any, on the financial statements will not be material.

42 The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company has made significant progress in stabilization of the systems, cleansing data and bringing the valuation in line with accounting standard 2 . The management has also formed a task force for liquidation of slow/non moving inventories. The Company is in the process of quantifying the differences adjusted/to be adjusted in the books of account on a comprehensive basis. 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 and anticipated shortfall in realisability has been provided for in the books of accounts.

44 Current assets, loans and advances include Rs. 268.16 Lakhs (as at March 31, 2014 Rs. 241.11 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 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, 2015 and accordingly, no recognition of expense in this respect and requisite disclosures have been made/ furnished.

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:

Particulars	(Rs. in Lakhs)	
	Current Year	Previous Year
Employer's contribution to provident & pension funds	354.54	377.90
Employer's contribution to superannuation fund	105.03	126.66
Employer's contribution to social security at LDW	-	2,142.19

(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.

1 Reconciliation of opening and closing balances of defined benefit obligation:	(Rs. in lakhs)			
	As at March 31, 2015		As at March 31, 2014	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
Defined Benefit obligation at beginning of the year	2,489.47	478.30	2,707.63	460.52
Current Service Cost	123.51	42.62	130.53	84.53
Interest Cost	200.91	44.24	175.76	36.84
Additional provision for increase in limit of gratuity/ in excess of limit	(164.51)	-	35.62	-
Actuarial (gain)/ loss	150.96	(36.06)	-102.34	(103.59)
Benefits Paid	(310.25)		(457.73)	-
Defined Benefit obligation at end of the year	2,490.09	529.10	2,489.47	478.30
2 Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	1,469.03	147.52	1,764.41	138.20
Expected return on plan assets	138.09	12.02	145.51	11.26
Employer Contribution	34.66	-	27.22	-
Benefits paid	(310.25)	-	(457.73)	-
Actuarial gain/(loss)	(20.58)	1.26	(10.38)	(1.94)
Fair value of plan assets at year end	1,310.95	160.80	1,469.03	147.52
Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	1,310.95	160.80	1,469.03	147.52
Present value of obligation	2,490.09	529.10	2,489.47	478.30
Amount recognized in Balance Sheet under liabilities:	1,179.14	368.30	1,020.44	330.78
Expense recognized during the year: (under "Note 28" Employee Benefit Expenses" in the Statement of Profit and Loss)	Current Year		Previous Year	
Current Service Cost	123.51	42.62	130.53	84.53
Interest Cost	200.91	44.24	175.76	36.84
Expected return on plan assets	(138.09)	(12.02)	(145.51)	(11.26)
Additional provision for increase in limit of gratuity/ in excess of limit	(164.51)	-	35.62	-
Actuarial (gain)/ loss	171.54	(37.32)	-91.96	(101.65)
Net Cost	193.36	37.52	104.44	8.46
Actuarial assumptions:	As at March 31, 2015		As at March 31, 2014	
Mortality Table	Indian Assured Lives (2006 -08) (Ultimate)		Indian Assured Lives (2006 -08) (Ultimate)	
Discount rate (per annum)	7.90%	7.90%	9.30%	8.00%
Expected rate of return on plan assets (per annum)	7.90%	7.90%	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 were no defined benefit plans at LDW

47 SEGMENT REPORTING:

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.

(Rs. in lakhs)

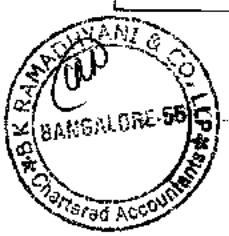
Sl No.	Particulars	Primary Segment			Total
		Power generation and distribution	Rotating machines group	Others	
1	Segment Revenues				
	External Revenues	24,721.97 (31,608.77)	28,106.64 (68,983.02)	2,598.41 (5,368.11)	55,427.02 (105,959.90)
	Intersegment revenues	93.72 (697.96)	998.08 (1,186.58)	14.82 (18.99)	1,106.62 (1,903.53)
	Total Revenues	24,815.69 (32,306.73)	29,104.72 (70,169.60)	2,613.23 (5,387.10)	56,533.64 (107,863.43)
2	Segment Results: Profit/(Loss) Before Taxation and Interest	185.00 (616.70)	(1,113.00) (-2404.81)	736.00 (1,427.63)	(192.00) (-360.48)
	Less: Interest				4,546.65 (4,938.75)
	Less: Depreciation and amortizations				1,208.34 (2,041.33)
3	Unallocable Expenditure				19,356.95 (3,706.69)
4	Unallocable and Other Income (including Extraordinary items)				1,300.06 (1,324.33)
5	Less: Tax expense				- (-78.36)
6	Share of Profits/(losses) in the Associates (net)				(27.85) (-26.27)
7	Minority interest - share of losses				- (246.55)
	Total Profit/(Loss)				(24,031.73) (-4,868.38)
6	Segment Assets	9,897.32 (17,799.90)	4,386.95 (48,455.16)	11,605.64 (1,618.83)	25,889.91 (67,873.89)
7	Unallocable Assets				17,260.69 (26,305.48)
8	Segment Liabilities	10,400.72 (17,656.04)	12,019.06 (34,620.97)	847.41 (2,209.55)	23,267.19 (54,486.56)
9	Unallocable Liabilities				35,158.21 (25,815.44)
10	Capital Expenditure	325.53 (325.53)	148.90 (1,386.46)	1.88 (188.00)	476.31 (1,899.99)
11	Unallocated capital expenditure				672.03 (82.41)

(ii) Geographical Segment:

Particulars	Segment revenue by geographical market	
	Current Year	Previous Year
Sales in India	50,608.96	74,336.93
Sales outside India	425.68	31,622.97
Total	51,034.64	105,959.90

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

	Carrying amounts of segment assets		Additions to fixed assets & intangible assets	
	As at March 31, 2015	As at March 31, 2014	Current Year	Previous Year
Located in India	41,312.82	57,821.02	209.06	558.72
Located outside India	1,837.78	36,358.35	939.28	1,423.68
Total	43,150.60	94,179.37	1,148.34	1,982.40



48 RELATED PARTY TRANSACTIONS;

(a) List of related parties:

Sl. No.	Name of the Related Party	Relationship
1	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Vinayak Narayan Bapat Ms. K S Swapnalatha Mr. Alok Kumar Gupta (upto April 25, 2014)	Key Management Personnel and their relatives ("KMP")
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L (upto April 1, 2014)	Associates
3	Senapathy Whiteley Private Limited. Transport Corporation of India Maini Material Movement Private Limited Best Trading and Agencies Limited (Upto November 28, 2014) Lakshmanan Isola Private Limited	As per section 2(76) of the Companies Act, 2013. ("Others A")
4	Kirloskar Batteries Private Limited Kirloskar Power Equipment 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 B")

(b) Transactions with the related parties

(Rs. in Lakhs)

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others B	35.85	49.97
Sri Vijayadurga Investments and Agencies Private Limited		93.64	159.15
Ravindu Motors Private Limited		1.25	1.35
Abhiman Trading Company Private Limited		104.28	96.23
Kirloskar electric Charitable Trust		5.17	5.63
Lakshmanan Isola Private Limited	Others A	66.06	Not Applicable
Transport Corporation of India		299.07	Not Applicable
Sale of goods and services:			
Kirloskar (Malaysia) Sdn. Bhd	Associates	413.37	109.38
Ravindu Motors Private Limited	Others B	-	19.56
Kirloskar Electric Charitable Trust		0.38	0.26
Rent received:			
Ravindu Motors Private Limited	Others B		25.22
Rent paid			
Kirloskar Power Equipment Limited	Others B	60.00	10.00
Vijayjyothi Investments and Agencies Private Limited		78.00	-
Dividend received:			
Kirloskar (Malaysia) Sdn. Bhd	Others B	-	1.67
Remuneration paid:			
Vijay R Kirloskar*	KMP	214.82	203.38
Vinayak Narayan Bapat*		50.09	NA
Alok Kumar Gupta*		5.00	106.15
Janaki Kirloskar *		3.57	3.43
Rukmini Kirloskar *		5.98	6.42
K S Swapnalatha *		20.72	NA
Meena Kirloskar (Sitting Fees)		1.35	1.07
Interest paid			
Vijay R Kirloskar	KMP	2.86	9.15
Rukmini Kirloskar		-	1.29
Meena Kirloskar		-	1.55
Vijayjyothi Investments and Agencies Private Limited	Others B	8.21	-
KEC Executives & Others Officers Welfare Trust		0.20	1.15
KEC Officers & Engineers Welfare Trust		0.20	1.15
KEC Vice Presidents Welfare Trust		0.26	1.72
KEC Engineers of Mysore Unit Welfare Trust		0.06	0.57

B K RAMADHYANI & CO. BANGALORE-560 001 Chartered Accountants

Issue of Shares to Vijay R Kirloskar			
Issue of equity shares	KMP	265.82	-
Share premium		543.34	-
Issue of CCPS		1,595.89	-
Fixed deposit renewed / accepted during the year			
Vijay R Kirloskar	KMP	-	100.00
KEC Executives & Others Officers Welfare Trust	Others B	-	10.00
KEC Officers & Engineers Welfare Trust		-	10.00
KEC Vice Presidents Welfare Trust		-	15.00
KEC Engineers of Mysore Unit Welfare Trust		-	5.00
Fixed deposits repaid during the year			
Vijay R Kirloskar	KMP	100.00	-
Meena Kirloskar		-	25.00
Rukmini Kirloskar		-	20.00
KEC Executives & Others Officers Welfare Trust	Others B	10.00	-
KEC Officers & Engineers Welfare Trust		10.00	-
KEC Vice Presidents Welfare Trust		15.00	-
KEC Engineers of Mysore Unit Welfare Trust		5.00	-
Inter company deposit accepted:			
Vijayjyothi Investments & Agencies Private Limited	Others B	-	400.00
Best Trading & Agencies Limited	Others A	2,222.00	-
Inter company deposit repaid:			
Vijayjyothi Investments & Agencies Private Limited	Others B	74.20	325.44
Best Trading & Agencies Limited	Others A	345.00	-
Interest paid:			
Vijayjyothi Investments & Agencies Private Limited	Others B	-	29.14
Best Trading & Agencies Limited	Others A	24.91	-
Advance received for sale of asset:			
Ravindu Motors Private Limited	Others B	-	305.59
Sale of fixed asset:			
Ravindu Motors Private Limited **	Others B	305.59	-

* 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

** Net of prior year adjustment of rental income amounting to Rs.284.74 lakhs

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

(Rs. in Lakhs)

Particulars	Relationship	As at March 31, 2015	As at March 31, 2014
Amount due to Company:			
Kirloskar (Malaysia) Sdn. Bhd	Associate	-	160.07
Kirloskar Power Equipment Limited	Others B	180.00	446.76
Vijay Farms Private Limited		192.36	187.47
Sri Vijayadurga Investments and Agencies Private Limited		33.46	31.96
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited		0.14	0.14
Abhiman Trading Company Private Limited		98.97	69.05
Kirloskar Batteries Private Limited		5.46	5.46
Amount due from Company:			
Kirloskar Batteries Private Limited	Others B	11.86	25.89
Kirloskar Electric Charitable Trust		5.00	5.20
Kirlokar Power Equipment Limited		162.91	63.55
Vijay Farms Private Limited		7.51	2.23
Vijayjyothi Investments and Agencies Private Limited		66.89	74.56
Abhiman Trading Company Private Limited		28.95	29.28
Sri Vijayadurga Investments and Agencies Private Limited		20.17	15.86
Ravindu Motors Private Limited		0.81	305.59
Senapathy Whitley Private Limited	Others A	94.59	Not Applicable
Jakshmanan Isola Private Limited		18.28	Not Applicable
Transport Corporation of India		98.11	Not Applicable
Fixed Deposits outstanding at the end of the year:			
Vijay R Kirloskar	KMP	-	100.00
Guarantees given for the loans taken by the Company and outstanding at the end of the			
Vijay R Kirloskar	KMP	19,069.86	12,630.04

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.

(Rs. in Lakhs)

Sl. No.	Particulars	Total minimum lease payments outstanding as at March 31, 2015	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2015
1	Within one year	-	-	-
		(184.54)	(33.65)	(150.89)
2	Later than one year but not later than five years	-	-	-
		(402.74)	(38.90)	(363.84)
	Total	-	-	-
		(587.28)	(72.55)	(514.73)

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

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

(Rs. in Lakhs)

Sl. No.	Particluars	Wage Arrears	Contingencies	Short Term Compensated Absences	Stamp Duty	Warranty Claims
1	Balance outstanding at the beginning of the year	245.02	186.41	18.61	110.40	843.75
		(172.96)	(730.51)	(20.45)	(597.06)	(617.01)
2	Provision for the year (net)	213.83	1,331.73	(1.50)	784.98	(245.85)
		(72.06)	(-544.10)	(-1.84)	(-486.66)	(226.74)
3	Balance outstanding at the end of the year	458.85	1,518.14	17.11	895.38	597.90
		(245.02)	(186.41)	(18.61)	(110.40)	(843.75)

Foot Note:

Provision in respect of wage settlement has been made on estimated basis and differences if any will be accounted on final settlement. Further as a matter of abudant caution an estimated provision as been made for contigencies as held in respect of ongoing litigations as detailed in note 23 and certain probable liability

52 The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2015 are as under:

Particulars	As at March 31, 2015		As at March 31, 2014	
	FCY	Rs. in Lakhs	FCY	Rs. in Lakhs
Assets (Receivables)	$ 10,11,349.97	725.06	$ 6,07,502.00	469.15
	€ 1,27,676.45		€ 1,26,000.45	
	AED 8,993.58		AED -	
	£ 4,857.00		£ 2,591.20	
Liabilities (Payables)	$ 8,14,644.05	766.07	$ 20,99,818.00	1,567.67
	€ 2,84,419.87		€ 1,970.29	
	AED 3,63,283.72		AED -	
	SGD -		SGD 6,94,251.00	

53 The net worth of the Group has been completely eroded. The Group has initiated several measures like identification and active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non fund based limits by banks, infusion of capital by the promoters, rationalization of operation, value added products push for sales, optimization in product mix and enhanced contribution, proposed capital raising plans etc. Accordingly, your directors have prepared the financial statements of the Group on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

54 The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the parent 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.

55 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, 2015, 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.

56 The Company has recognised the charge for depreciation adopting the useful life of its fixed assets other than plant & machinery/ tools as prescribed in schedule II of the Companies Act, 2013. However, the charge for depreciation on plant & machinery/ tools has been based on the re-evaluated useful life technically assessed which are different from the useful life prescribed in schedule II of the said Act. Had the Company continuedwith the rates of depreciation adopted till March 31, 2014, the charge for depreciation and loss for the year ended March 31, 2015 would have been higher by Rs.87.79 lakhs. Further, based on transitional provisions provided in claue 7(b) of the schedule II of the Companies Act, 2013, an amount of Rs.68.87 lakhs representing the carrying value of those assets whose residual useful life is over, has been charges to the retained earnings as at April 1, 2014.

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

B.K. RAMADHYANI & CO. BANGALORE Chartered Accountants

58 Additional information, as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as subsidiary or associates:

Name of the Enterprise	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. in Lakhs)	As % of consolidated profit or loss	Amount (Rs. in Lakhs)
Parent				
Kirloskar Electric Company Limited	81.40%	(12,431.25)	44.17%	(10,615.08)
Subsidiaries				
Indian				
1 Kelbuzz Trading Private Limited	23.40%	(3,572.96)	1.79%	(430.36)
2 SLPKG Estates Holdings Private Limited	0.32%	(49.11)	1.52%	(365.42)
3 Luxquisite Parkland Private Limited	-0.01%	1.72	0.21%	(50.58)
4 SKG Terra Promenade Private Limited	1.73%	(263.78)	0.96%	(231.42)
Foreign				
Kirsons B.V.	-6.81%	1040.58	51.23%	(12,311.02)
Minority interest in all subsidiaries	-0.02%	3.00	0.00%	-
Associates (Investments as per the equity method)				
Kirloskar (Malaysia) Sdn. Bhd.	0.00%	-	0.12%	(27.85)

In accordance with our report attached
For B K Ramadhyani & Co. LLP,
Chartered Accountants
Firm number: 002878S/S200021

C.R. Deepak

(CA. C R Deepak)
Partner

Bangalore
Date: May 29, 2015

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

Vijay R Kirloskar
Executive Chairman

CA. Vinayak Narayan Bapat
Managing Director

Kamlesh Gandhi
Director

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

INDEPENDENT AUDITOR'S 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 13 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.

Auditor's 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 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 being required to be recognized in this respect for the reason stated therein. We have relied on the representation and our report is not qualified in this respect.

(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 (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 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.

B.K. RAMABHATANI & CO. Bangalore-55 Chartered Accountants

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.RAMADHYA NI & CO.
Chartered Accountants
Firm Registration No. 002878S

(CA C R KRISHNA)
Partner
Membership number 027990

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

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 program 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 up to 7 months 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.

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

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 and September 2007	Central Excise and Service Tax Appellate Tribunal
	Cenvat availment	103.88	June 2006 , January 2008 to April 2010 & October 2008 to April 2010 September 2010 to March 2011	Commissioner of Central Excise (Appeals)
	Delay in payment	0.65	2010-2011	Commissioner of Central Excise (Appeals)
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)

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Name of the statue	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
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 (Kaula 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* 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.

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

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

B.K. RAMADHYANI & COMPANY
CHARTERED ACCOUNTANTS
No. 68, #4-B, Chitrapura Bhavan,
6th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

Place: Bangalore
Date: May 28, 2014

KIRLOSKAR ELECTRIC COMPANY LIMITED
BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Note No.	As at March 31, 2014 Rs. In lakhs		As at March 31, 2013 Rs. In lakhs	
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 B K Ramadhyani & Co.,
Chartered Accountants
Firm number: 002878S

CA. C R Krishna
Partner

Bangalore
Date: May 28, 2014

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

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

KIRLOSKAR ELECTRIC COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Particulars	Note No.	Current Year Rs. in lakhs		Previous Year Rs. in lakhs	
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	
	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 number: 002878S

CA. C R Krishna
Partner

Bangalore
Date: May 28, 2014

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

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

KIRLOSKAR ELECTRIC COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
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 B K Ramadhyani & Co.,
Chartered Accountants
Firm number: 002878S

CA. C R Krishna
Partner

Bangalore
Date: May 28, 2014

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

For and onbehalf 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
and Chief Financial Officer

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

KIRLOSKAR ELECTRIC COMPANY LIMITED
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.

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

(iv) Depreciation on assets taken on finance lease is charged over the primary lease period.
(v) Depreciation on software is charged over a period of 36 months.
(vi) Depreciation on technical know-how fees and product development are written over a period of six years.
(vii) Project specific tools are depreciated over the life of the project.
(viii) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than Rs.5,000/- is depreciated fully.

2.8 REVENUE RECOGNITION:

(i) Sale of goods is recognized on shipment of goods and transfer of significant risks and rewards to customers and excludes recovery towards sales tax.
(ii) Interest income is recognized on time proportion basis.
(iii) Dividend income is recognized, when the right to receive the dividend is established.
(iv) Rental income is recognized on time proportion basis.

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss in the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

2.10 EMPLOYEE BENEFITS:

(i) Short term employee benefits:

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

(ii) Post employment benefits:

a. Defined contribution plans:

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

b. Defined benefit plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms that matches to the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

2.11 FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

(ii) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

(iii) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(iv) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

(v) The Company has entered into forward exchange contracts, which are not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

2.12 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

2.13 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to the statement of profit and loss.

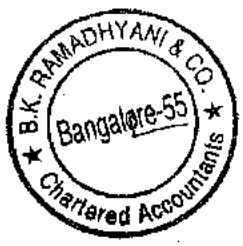
2.14 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

2.15 PROVISIONS AND CONTINGENT LIABILITIES:

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

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



3 Share capital:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Rs In Lakhs	Number	Rs in Lakhs
Authorized:				
Preference shares of Rs.100/- each	**3,000,000**	**3,000.00**	3,000,000	3,000.00
Equity shares of Rs.10/- each	**60,000,000**	**6,000.00**	60,000,000	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	**50,521,367**	**5,052.14**	50,521,367	5,052.14
At the close of the year	**50,521,367**	**5,052.14**	50,521,367	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		As at March 31, 2013	
	Number	Rs In Lakhs	Number	Rs in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	**2,376,746**	**2,376.75**	2,376,746	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.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

3 Share capital:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Rs in Lakhs	Number	Rs in Lakhs
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.	**17,252,550**	**1,725.26**	17,252,550	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.	**2,000,000**	**200.00**	2,000,000	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.	**6,000,000**	**600.00**	6,000,000	600.00

c. Particulars of equity share holders holding more than 5%	As at March 31, 2014		As at March 31, 2013	
	Number	Percentage	Number	Percentage
a. Abhiman Trading Company Private Limited	**5,217,063**	**10.33%**	5,217,063	10.33%
b. Vijayjyothi Investment & Agencies Private Limited	**4,257,682**	**8.43%**	4,257,682	8.43%
c. KECL Investment Trust	**6,174,878**	**12.22%**	6,174,878	12.22%
d. Mr. Vijay Ravindra Kirloskar	**3,913,269**	**7.75%**	3,890,811	7.70%
e. Vijaykirti Investments and Agencies Private Limited	**3,064,094**	**6.06%**	3,064,094	6.06%
f. Life Insurance Corporation of India	**2,576,571**	**5.10%**	2,576,571	5.10%
g. Vijay Farms Private Limited	**3,540,807**	**7.01%**	3,540,807	7.01%

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

4 Reserves and surplus:

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

5 Long term borrowings

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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
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 from Corporation Bank carries interest at 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 12 and 36 months with interest rates ranging from 12% to 13%.

B.K. RAMADHYA & CO. Bangalore-55 Chartered Accountants

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
6 Deferred tax:		
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 depreciation under the 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 suppliers, 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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

9 Short term borrowings

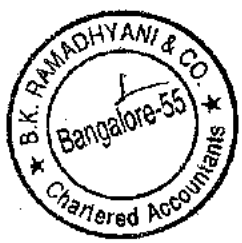
Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
1) Secured loans:		
a) Loans repayable on demand - from banks	**9,630.04**	10,671.58
b) Loan against pledge of fixed deposit from bank	**14.41**	1.07
	9,644.45	10,672.65
2) Unsecured loans:		
a) Fixed deposits	**634.14**	482.02
b) Inter corporate deposits	**3,394.74**	4,020.00
	4,028.88	4,502.02
Total	**13,673.33**	15,174.67

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.



Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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	**305.59**	-
		6,736.79	6,422.37
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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

13 Fixed assets:

Rs In Lakhs

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 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										
Own 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 lakhs and from UPSIDC aggregates to Rs.1,451.04 lakhs. 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 includes inter head transfers

B.K. RAMADHANI & Co. Bangalore-55 Chartered Accountants

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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.

15 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	Rs. In Lakhs	No of Shares	Face Value	Rs. 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	300,000	MR1	5.29	300,000	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)	770,750	10	-	770,750	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, Singapore	56,250	S $1	11.20	56,250	S $1	11.20
	Kirloskar Power Equipment Ltd	340,000	10	28.17	340,000	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.

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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
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

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

Particulars	As at Mar 31, 2014 Rs In Lakhs	As at March 31, 2013 Rs In Lakhs
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.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars	As at Mar 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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
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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

	Particulars	As at Mar 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
23	**Contingent liabilities and commitments:**		
	(to the extent not provided for)		
a)	**Contingent liabilities:**		
i)	Claims against the Company not acknowledged as debt:	**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 due.	**1,946.03**	1,795.00
viii)	The Company has filed before the honorable Supreme Court, special leave petition in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect. 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.

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 a related party to sell a portion of an immovable propert owned by it.	**305.59**	**Nil**

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars		Current Year Rs In Lakhs	Previous Year Rs In Lakhs
24 Revenue from operations:			
i)	Sale of products		
	Motors, alternators and generators	96,315.71	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
ii)	Finished goods		
	Motors, alternators and generators	1,675.27	1,154.02
	Transformers	1,084.67	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)

B.K. RAMADHYANI & CO Bangalore-55 Chartered Accountants

Particulars		Current Year Rs in Lakhs		Previous Year Rs in Lakhs	
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
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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
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	-	23.52
ii) Travel	149.75	118.05
iii) Investments in wholly owned subsidiary	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%

d) Details of non-resident shareholdings			
i)	Number of nonresident share holders	420	361
ii)	Number of shares held by nonresident shareholders	2,246,425	1,983,270
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	50,521,367	50,521,367
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. The Company is in the process of quantifying the differences adjusted/to be adjusted in the books of account on a comprehensive basis. 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 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.

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:

Particulars	(Rs. in Lakhs)	
	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.

1 Reconciliation of opening and closing balances of defined benefit obligation:	(Rs. in lakhs)			
	As at March 31, 2014		As at March 31, 2013	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
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
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
Expense recognized during the year: (under "Note 28" Employee benefit expenses" in the Statement of Profit and Loss)	Current Year		Previous Year	
Current service cost	130.53	84.53	113.14	69.57
Interest cost	175.76	36.84	173.65	41.32
Expected return on plan assets	(145.51)	(11.26)	(154.48)	(11.81)
Additional provision for increase in limit of gratuity/ in excess of limit	35.62	-	74.61	-
Actuarial (gain)/ loss	(91.96)	(101.65)	286.65	(129.12)
Net cost	104.44	8.46	493.57	(30.04)
Actuarial assumptions:	As at March 31, 2014		As at March 31, 2013	
Mortality table	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 - 08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)	Indian Assured Lives (2006 -08) (Ultimate)
Discount rate (per annum)	9.25%	9.25%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	9.40%	8.15%	9.40%	8.15%
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

44 SEGMENT REPORTING:

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.

(Rs. In lakhs)

Sl No.	Particulars	Primary Segment			Total
		Power generation and distribution	Rotating machines group	Others	
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)	**1186.58** (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 amortizations				**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 expense				**0.23** (157.74)
	Total Profit				**(4,100.96)** (416.03)
6	**Segment assets**	**17,799.90** (23,262.20)	**28,092.50** (27,987.68)	**1,618.83** (1,786.94)	**47,511.23** (53,036.82)
7	**Unallocable assets**				**26,235.87** (17,380.95)
8	**Segment liabilities**	**17,072.15** (17,656.04)	**14,611.59** (12,705.27)	**785.08** (68.51)	**32,468.82** (30,429.82)
9	**Unallocable liabilities**				**25,815.43** (20,424.14)
10	**Capital expenditure**	**325.53** (40.51)	**148.90** (120.93)	**1.88** (2.18)	**476.31** (163.62)
11	**Unallocated capital expenditure**				**86.16** (114.62)

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 Equipment 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")

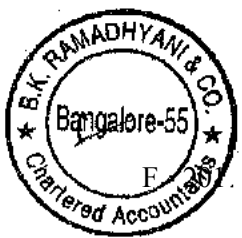
B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

(b) Transactions with the related parties (Rs. 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	Others	0.26	-
Kirloskar Power Equipment Limited	Others	-	5.77
Rent received:			
Ravindu Motors Private Limited	Others	25.22	26.97
Rent paid			
Kirloskar Power Equipment 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
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	-

* 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)



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

(Rs. in Lakhs)

Particulars	Relationship	As at March 31, 2014	As at March 31, 2013
Amount due to Company:			
Kirsons BV	Subsidiary	39.13	37.82
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	498.07	29.72
Kirloskar (Malaysia) Sdn. Bhd	Associate	160.07	167.93
Kirloskar Power Equipment Limited	Others	446.76	450.59
Vijay Farms Private Limited		187.47	181.87
Sri Vijayadurga Investments and Agencies Private Limited		31.96	31.88
Vijayjyothi Investments and Agencies Private Limited		111.51	111.51
Ravindu Motors Private Limited		0.14	2.11
Abhiman Trading Company Private Limited		69.05	69.05
Kirloskar Batteries Private Limited		5.46	5.46
Amount due from Company:			
Lloyd Dynamowerke GmbH & Co. KG	Step down subsidiary	162.25	138.08
Kirloskar Batteries Private Limited	Others	25.89	25.89
Kirloskar Electric Charitable Trust		5.20	0.57
Kirlokar Power Equipment 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
Investment held			
Kirsons 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.

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.

(Rs. 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	0.46	9.35
		(47.19)	(5.29)	(41.90)
2	Later than one year but not later than five years	-	-	-
		(8.41)	(0.35)	(8.06)
	Total	9.81	0.46	9.35
		(55.60)	(5.64)	(49.96)

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

47 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.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:

(Rs. In Lakhs)

Sl. No.	Particluars	Wage Arrears	Short Term Compensated Absences	Stamp Duty	Warranty Claims
1	Balance outstanding at the beginning of the year	172.96	20.45	597.06	389.27
		(336.16)	(20.45)	(619.21)	(442.41)
2	Provision for the year (net)	72.06	(1.84)	(486.66)	(32.20)
		(163.20)	(-)	(-22.15)	(-53.14)
3	Balance outstanding at the end of the year	245.02	18.61	110.40	357.07
		(172.96)	(20.45)	(597.06)	(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	Rs. in Lakhs	FCY	Rs. in Lakhs
Assets (Receivables)	$ 607,502.00	1,123.71	$ 923,872.00	662.44
	€ 922,522.00		€ 242,728.00	
	£ 2,591.20		£ 6,885.00	
Liabilities (Payables)	$ 2,099,818.00	1,730.42	$ 438,278.00	412.30
	€ 199,635.00		€ 245,833.00	
	£ -		£ 517.00	
	SGD 694,251.00		SGD -	

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 number: 002878S

CA. C R Krishna
Partner

Bangalore
Date: May 28, 2014

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

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

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.

Auditor's 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 KEC 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:

a. 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.

b. 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

C.R. Deepak

(CA C R Deepak)
Partner
Membership No. 215398

Place: Bangalore
Date: August 12, 2014

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

KIRLOSKAR ELECTRIC COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Note No.	As at March 31, 2014 Rs. In lakhs		As at March 31, 2013 Rs. In lakhs	
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

C. R. Deepak

CA. C R Deepak
Partner

Bangalore
Date: August 12, 2014

B.K. RAMADHYANI & COMPANY
CHARTERED ACCOUNTANTS
68, # 4-B, Chitrapura Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

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

KIRLOSKAR ELECTRIC COMPANY LIMITED

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

	Particulars	Note No.	Current Year Rs in Lakhs		Previous Year Rs in Lakhs	
I.	Revenue from operations	28		99,103.24		107,298.51
II	Other Income	29		2,943.88		1,197.15
III	**Total revenue (I + II)**			102,047.12		108,495.66
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
				111,867.53		113,466.06
	Less Expenses capitalised			97.49		79.99
	Total expenses			111,770.04		113,386.07
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 Associate 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

C. R. Deepak

CA. C R Deepak
Partner

Bangalore
Date: August 12, 2014

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

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

KIRLOSKAR ELECTRIC COMPANY LIMITED

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

Particulars	Current Year Rs. In lakhs		Previous Year Rs. In lakhs	
Cash flows from operating activities				
Profit after taxation		(9,424.28)		(4,868.38)
Add: tax expense		(78.35)		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	
(Profit) /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)		887.27	
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)		(718.38)	
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)		248.12	
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

C.R. Deepak

CA. C R Deepak
Partner

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

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

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTE 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 asects 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.

B.K. RAMADHYANI & CO. Chartered Accountants Bangalore-55

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, which ever is higher on assets as on March 31, 1994.

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

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

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

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

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

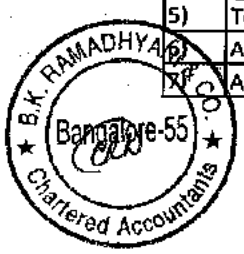
g) Project specific tools are depreciated over the life of the project.

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

LDW:

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:

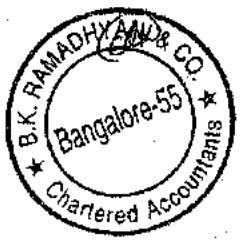
a) Defined Contribution Plans:

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.



5.1. FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction / rates that approximate the actual rates as at that date.

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the statement of profit and loss.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) Branches are considered as integral foreign operations and have been translated at rates prevailing on the date of transaction/rate that approximates the actual rate as at that date. Branch monetary assets and liabilities outstanding as at year end are restated at the year end rates.

e) The Company has entered into forward exchange contracts, which are not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

5.11. TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

5.12. BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to statement of profit and loss.

5.13. PROVISIONS AND CONTINGENT LIABILITIES:

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

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

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

6. The consolidation of financial statement(CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiaries and associates:

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

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars	As at March 31, 2014 Number	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Number	As at March 31, 2013 Rs in Lakhs
7. Share Capital:				
Authorized:				
Preference Shares of Rs.100/- each	3,000,000	3,000.00	3,000,000	3,000.00
Equity shares of Rs.10/- each	60,000,000	6,000.00	60,000,000	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	50,521,367	5,052.14	50,521,367	5,052.14
At the close of the year	50,521,367	5,052.14	50,521,367	5,052.14
Total		5,052.14		5,052.14

Other Information:

1. Preference shares:

	As at March 31, 2014 Number	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Number	As at March 31, 2013 Rs in Lakhs
Preference shares bought back during the five years immediately preceding the date of the balance sheet	2,376,746	2,376.75	2,376,746	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 Honorable 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.	17,252,550	1,725.26	17,252,550	1,725.26
(ii) Shares alloted during the year 2007-08 to the promoters group in terms of order September 29, 2007 of the honorable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of The Companies Act, 1956.	2,000,000	200.00	2,000,000	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 honorable High Court of Karnataka.,	6,000,000	600.00	6,000,000	600.00

c. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	As at March 31, 2014 Number	As at March 31, 2014 Percentage	As at March 31, 2013 Number	As at March 31, 2013 Percentage
a. Abhiman Trading Company Private Limited	5,217,063	10.33%	5,217,063	10.33%
b. Vijayjyothi Investment & Agencies Private Limited	4,257,682	8.43%	4,257,682	8.43%
c. KECL Investment Trust	6,174,878	12.22%	6,174,878	12.22%
d. Mr. Vijay Ravindra Kirloskar	3,913,269	7.75%	3,890,811	7.70%
e. Vijaykirti Investments and Agencies Private Limited	3,064,094	6.06%	3,064,094	6.06%
f. Life Insurance Corporation of India	2,576,571	5.10%	2,576,571	5.10%
g. Vijay Farms Private Limited	3,540,807	7.01%	3,540,807	7.01%

B.K. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

KIRLOSKAR ELECTRIC COMPANY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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 doubtful 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

Particulars	As at March 31, 2014 Rs. In lakhs	As at March 31, 2013 Rs. In lakhs
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 the Company.	**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**	-

2) Terms of repayment of term loans and others

a) **Finance lease**

i. 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.

ii. Finance lease repayble in monthly installmenting comencing 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 € 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 from Corporation Bank carries interest at base rate plus 3.60% and is repayable in 60 equated monthly instalments of Rs.69.57 lacs per month.

3) Unsecured loans:

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

B.K. RAMADHYANI & CO. Bangalore-65 Chartered Accountants

Particulars	As at March 31, 2014 Rs. In Lakhs	As at March 31, 2013 Rs. In Lakhs
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

B.K. RAMADHYANI & CO Bangalore-55 Chartered Accountants

Particulars	As at March 31, 2014 Rs. In lakhs	As at March 31, 2013 Rs. In lakhs
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
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.

Particulars	As at March 31, 2014 Rs. In lakhs	As at March 31, 2013 Rs. In lakhs
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:

Rs in Lakhs

Sl No.	Particulars	As at March 31, 2014	As at March 31, 2013
1	Principal amount due and remaining unpaid	**57.40**	1,073.23
2	Interest due on (1) above and the unpaid interest	**12.75**	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**65.19**	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	**12.75**	Nil
6	Interest accrued and remaining unpaid	**12.75**	Not ascertained
7	Amount of further interest remaining due and payable in succeeding years	**12.75**	Not ascertained

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

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

17. Fixed Assets:

Rs in Lakhs

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at April 1, 2013	Additions for the year	Adjustments on account of exchange fluctuation	Deductions/ adjustments during the year #	As at March 31, 2014	As at April 1, 2013	For the year	Adjustments on account of exchange fluctuation	Deductions / adjustments during the year #	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets												
Own assets												
Land	1,699.25	3.75	85.41		1,788.41	-	-	-	-	-	1,788.41	1,699.25
Building (*)	6,159.15	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	191.68	693.31	453.00	20,910.90	13,950.46	1,101.56	510.77	211.72	15,451.07	5,459.83	6,528.45
Tools and jigs	1,380.88	98.75	-	-	1,479.58	788.05	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	-	11.68	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	223.48	-	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	406.68	193.89	-	2,197.55	1,168.07	227.70	126.18	-	1,516.95	680.60	433.96
Technical knowhow and product development	438.65	-	52.21	173.87	316.99	165.98	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 lakhs and from UPSIDC aggregates to Rs.1,451.04 lakhs. 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

B.K. RAMA RAU & CO Chartered Accountants Bangalore-55

Particulars	As at March 31, 2014 Rs. In lakhs	As at March 31, 2013 Rs. In lakhs
18. Capital work in progress:		
a) 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.

Details of Investments	Name of the Company	As at March 31, 2014			As at March 31, 2013		
		No of Shares	Face Value	Rs. In Lakhs	No of Shares	Face Value	Rs. In Lakhs
19. Non Current Investments:							
a) Investments in Equity Instruments:							
i) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd.						
	Kuala Lumpur, Malaysia	**300,000**	**MR1**	**27.85**	300,000	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 Ltd (refer note 3 below)	**770,750**	**10**	**-**	770,750	10	-
	Kirloskar Proprietary Ltd	**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.Ltd, Singapore	**56,250**	**SGD 1**	**11.20**	56,250	SGD 1	11.20
	Kirloskar Power Equipments Ltd	**340,000**	**10**	**59.09**	340,000	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) (i) Securities in The Mysore Kirloskar Limited have been written off.

Particulars	As at March 31, 2014 Rs. In Lakhs	As at March 31, 2013 Rs. In Lakhs
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

Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
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

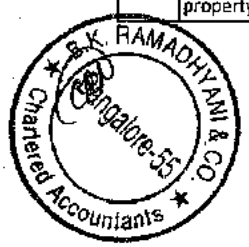
Particulars	As at March 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
b) Other bank balances		
i) Balances with banks		
- in short term deposits	**78.09**	357.66
-in margin money, security for borrowings, guarantees and other commitments	**2,481.00**	1,903.48
	2,559.09	2,261.14
Total (a+b)	**7,288.74**	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

	Particulars	As at Mar 31, 2014 Rs in Lakhs	As at March 31, 2013 Rs in Lakhs
27.	**Contingent liabilities and commitments:**		
	(to the extent not provided for)		
a)	**Contingent liabilities:**		
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 dues.	**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 petition in respect of resale tax and sales tax penalty of Rs 527 lakhs and Rs 362 Lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the Company) and confirmed by the honorable High Court of Karnataka. The Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect. 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)	1. 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.1.28 crores for further hearing the matter. On waiver of the conditions of depositing any amount, against the company, Company has filed a writ before Honorable High court of Karnataka. The Company does not acknowledge this liability.	**405.60**	405.60
xvi)	Arrears of fixed cumulative dividends on preference shares (including tax thereon).	**1,162.49**	1,162.49

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

b) Commitments

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 a related party to sell a portion of an immovable property owned by it.	**305.59**	Nil



Particulars	Current Year Rs in Lakhs	Previous Year Rs in Lakhs
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	6,801.42	6,905.41
Total	105,043.84	114,642.20
ii) Sale of services	916.06	874.21
	105,959.90	115,516.41
Less:		
Excise duty	6,856.66	8,217.90
	99,103.24	107,298.51
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 & 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	51.90
Total	3,070.75	1,484.47
iii) Scrap	4.50	10.67
	18,434.73	16,614.82
	(44.72)	(1,819.91)

B.R. RAMADHYANI & CO. Bangalore-55 Chartered Accountants

Particulars			Current Year Rs in Lakhs		Previous Year Rs in Lakhs
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 and diluted)					
Loss for the year after tax expense			**(9,424.28)**		(4,868.38)
Weighted average number of equity shares			**50,521,367**		50,521,367
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 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.

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

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

41. The customers of the Company have deducted liquidated damages and other charges for delays in delivery of goods as compared to contractual obligations. The Company has made/will make representations to such customers explaining reasons for delays as well as impress upon them that the same were caused by various factors including those not attributable to it and as such being beyond its control. The Company has made necessary provision on an overeall assessment of the likely loss where in its opinion waiver is not likely. The Company is confident that its representations will be accepted by customers and liquidated damages and other charges deducted will be waived. Impact, if any, on the financial statements will not be material.

42. The Company has implemented SAP ECC 6 systems at its units. Certain mistakes and omissions noticed in the inventory records have been corrected to the extent identified based on physical inventory taken from time to time. The Company has made significant progress in stabilization of the systems, cleansing data and bringing the valuation in line with accounting standard 2 . The management has also formed a task force for liquidation of slow/non moving inventories. The Company is in the process of quantifying the differences adjusted/to be adjusted in the books of account on a comprehensive basis. 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:

(Rs. 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.

(Rs. In lakhs)

1 **Reconciliation of opening and closing balances of defined benefit obligation:**	As at March 31, 2014		As at March 31, 2013	
	Gratuity (Funded)	Leave (Funded)	Gratuity (Funded)	Leave (Funded)
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	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**				
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
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

Expense recognized during the year: (under "Note 32" Employee Benefit Expenses" in the Statement of Profit and Loss)	Current Year		Previous Year	
Current service cost	130.53	84.53	113.14	69.57
Interest cost	175.76	36.84	173.65	41.32
Expected return on plan assets	(145.51)	(11.26)	(154.48)	(11.81)
Additional provision for increase in limit of gratuity/ in excess of limit	35.62	-	74.61	-
Actuarial (gain)/ loss	(91.96)	(101.65)	286.65	(129.12)
Net cost	104.44	8.46	493.57	(30.04)

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

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

There are no defined 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.

(Rs. In lakhs)

	Particulars	Primary Segment			
		Power Generation & Distribution	Rotating Machine Group	Others	Total
1	**Segment revenues:**				
	External revenues	**31,608.77** (40,861.21)	**68,983.02** (69,935.88)	**5,368.11** (4,719.32)	**105,959.90** (115,516.41)
	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)	**107,863.43** (117,946.65)
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** (4,114.09)
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)

(ii)	**Geographical Segment:**	**Segment revenue by geographical market (Rs. In lakhs)**	
	Particulars	**Current Year**	Previous Year
	Sales in India	**74,336.93**	88,412.17
	Sales outside India	**31,622.97**	27,104.24
	Total	**105,959.90**	115,516.41

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

Rs. In lakhs

Particulars	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

B.K. RAMA RAO & CO. Chartered Accountants Bangalore

48. RELATED PARTY TRANSACTIONS;

***(a)* List of related parties:**

Sl. No.	Name of the Related Party	Relationship
1	Mr. Vijay R Kirloskar Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (Upto February 28, 2013) Mr. Alok Kumar Gupta (from March 15, 2013)	Key Management Personnel and their relatives ("KMP")
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
3	Kirloskar Batteries Private Limitec Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limitec 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")

b) Related party transactions:

Particulars	Relationship	Current Year	Previous Year
Purchase of goods and services:			
Vijay Farms Private Limited	Others	**49.97**	77.30
Sri Vijayadurga Investments and Agencies Private Limited		**159.15**	109.30
Vijayjyothi Investments and Agencies Private Limited		**-**	1.69
Ravindu Motors Private Limited		**1.35**	1.30
Vijaykirti Investments Private Limited		**-**	0.48
Abhiman Trading Company Private Limited		**96.23**	70.60
Kirloskar electric Charitable Trust		**5.63**	5.74
Sale of goods and servies:			
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

B.K. RAMAKANT & CO. Chartered Accountants Bangalore-55

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

(Rs. 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 Trus	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:**

(Rs. 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

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.

(Rs. in Lakhs)

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

50. OPERATING LEASE:

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.529.79 Lakhs (Previous Year Rs.829.25 Lakhs).

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

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

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

a)

Particulrs	As at March 31, 2014	As at March 31, 2013
Forward Contracts to hedge certain trade payables	$ -	$ 1,136,045
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	Rs. In Lakhs	FCY	Rs. In Lakhs
Assets (Receivables)	$ 607,502.00	469.15	$ 923,872.00	662.44
	€ 126,000.45		€ 242,728.00	
	£ 2,591.20		£ 6,885.00	
Liabilities (Payables)	$ 2,099,818.00	1,567.67	$ 438,278.00	412.30
	€ 1,970.23		€ 245,833.00	
	£ -		£ 517.00	
	SGD 694,251.00		SGD -	

M.K. RAMADHYANI & CO. Chartered Accountants Bangalore-55

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

Bangalore
Date: August 12, 2014

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

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

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the ICDR Regulations and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by

Sd/-

Vijay Kirloskar
Executive Chairman

Sd/-

Vinayak Bapat
Managing Director

Sd/-

Anand Hunnur
Director –Sales (Whole time director)

Date: August 22, 2016
Place: Bengaluru

DECLARATION IN ACCORDANCE WITH FORM PAS - 4

We the Board of Directors of the Company certify that:

(a) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(b) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(c) the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by

Sd/-

Vijay Kirloskar

Executive Chairman

I am authorized by the QIP Committee of the Board of Directors of the Company *vide* resolution number three dated August 22, 2016 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by

Sd/-

Vijay Kirloskar

Executive Chairman

Date: August 22, 2016
Place: Bengaluru

ISSUER

KIRLOSKAR ELECTRIC COMPANY LIMITED

REGISTERED OFFICE OF THE ISSUER
Industrial Suburb, Rajajinagar
Bengaluru – 560 010
Karnataka, India
Tel: +91 80 – 2337 4865; Fax: +91 80 – 2337 7706
Website: www.kirloskar-electric.com, CIN : L31100KA1946PLC000415
Contact Person: Mr. Chinmoy Patnaik, Company Secretary and Compliance Officer

ADDRESS OF THE COMPLIANCE OFFICER

Chinmoy Patnaik
Industrial Suburb, Rajajinagar
Bengaluru – 560 010
Karnataka, India
Tel: +91 80 – 2337 4865; Fax: +91 80 – 2337 7706
Email: chinmoy.patnaik@kirloskar-electric.com

BOOK RUNNING LEAD MANAGER

MARK CORPORATE ADVISORS PRIVATE LIMITED
404/1, The Summit Business Bay
Sant Janabai Road (Service Lane)
Off. W. E. Highway, Vile Parle (East)
Mumbai – 400 057
Maharashtra, India

DOMESTIC LEGAL ADVISORS TO THE ISSUE

M/s. Crawford Bayley & Co.
State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg, Fort
Mumbai – 400 023
Maharashtra, India

STATUTORY AUDITOR

M/s. B K RAMADHYANI & CO. LLP
Chartered Accountants
4B, Chitrapur Bhavan, No.68, 8th Main
15th Cross, Malleswaram, Bengaluru – 560 055
Karnataka, India