KIRLOSKAR ELECTRIC COMPANY LTD.

64th ANNUAL REPORT
2010 - 2011

End to end presence in Electrical Engineering

Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

KIRLOSKAR ELECTRIC COMPANY LIMITED

BOARD OF DIRECTORS	**Vijay R.Kirloskar** Chairman & Managing Director
	Anuj Pattanaik Dy. Managing Director w.e.f.23.9.2010
	P.S. Malik Jt. Managing Director upto 11.10.2010
	A.S. Lakshmanan **S.N. Agarwal** **Anil Kumar Bhandari** **Sarosh J Ghandy** **V.P. Mahendra** **Kamlesh Gandhi** **Berthold Groeneveld** **D. Devender Singh** LIC Nominee **Meena Kirloskar**
VICE PRESIDENT (LEGAL) & COMPANY SECRETARY	**P.Y. Mahajan**
AUDITORS	**B.K. Ramadhyani & Co.** Bangalore
BANKERS	**Axis Bank** **Bank of India** **ICICI Bank Ltd.** **State Bank of Hyderabad** **State Bank of Mysore** **State Bank of Travancore** **Bank of Commerce** Kualalumpur (Malaysia)
REGISTERED OFFICE	Industrial Suburb, Rajajinagar Bangalore – 560 010
FACTORIES	Govenahalli, Thyamagondlu, Bangalore Gokul Road, Hubli Belvadi Industrial Area, Mysore Kachenahalli, Bangalore Hirehalli, Tumkur Tumkur Road, Bangalore Gabbur, Hubli Kondhapuri, Pune Nagar Road, Pune Jaladulagarh, Kolkatta

BOARD OF DIRECTORS

Vijay R. Kirloskar
Chairman & Managing Director

Anuj Pattanaik
Deputy Managing Director

A. S. Lakshmanan

S. N. Agarwal

Anil Kumar Bhandari

Sarosh J. Ghandy

V. P. Mahendra

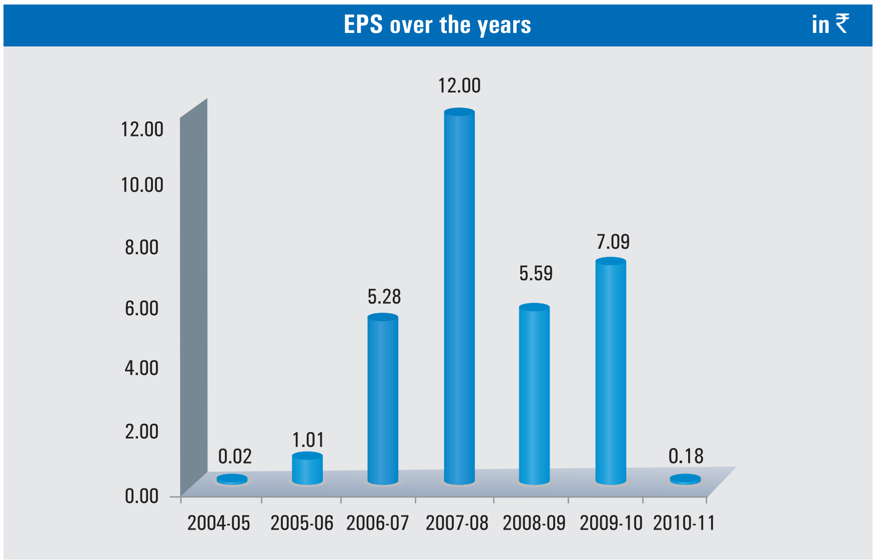
Kamlesh Gandhi

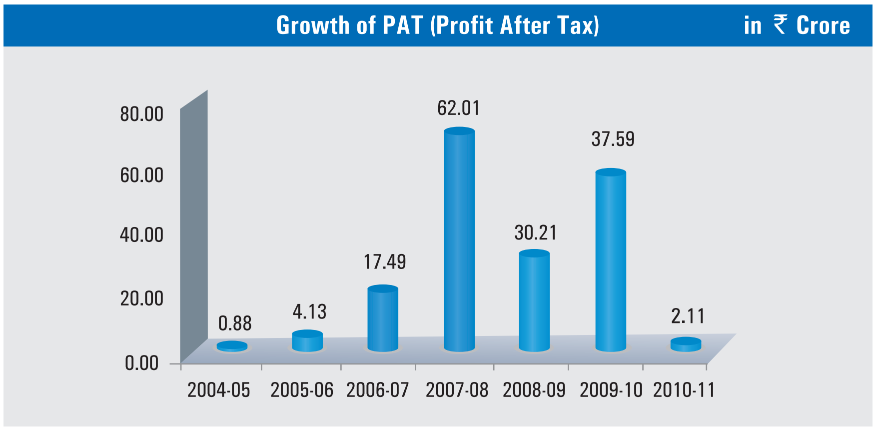
Berthold Groeneveld

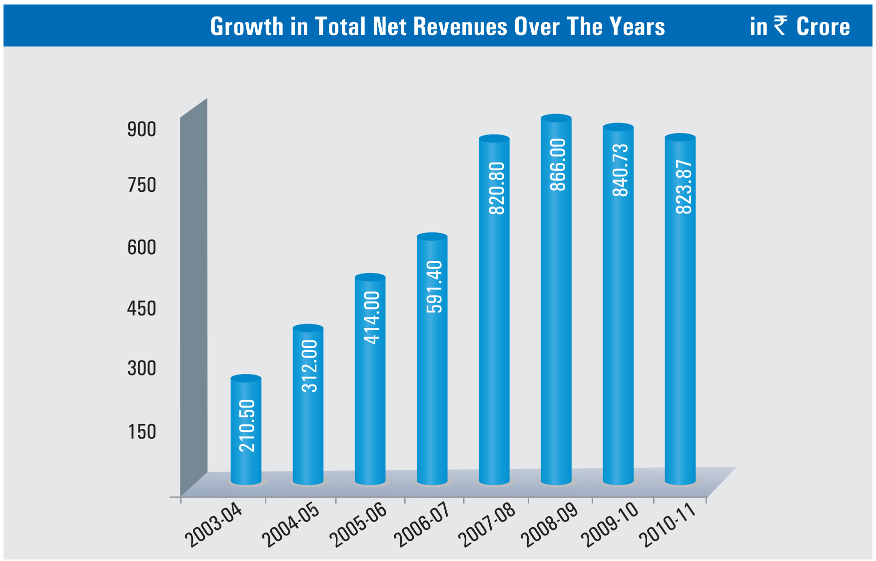
D. Devender Singh
LIC Nominee

Meena Kirloskar

FINANCIAL SUMMARY

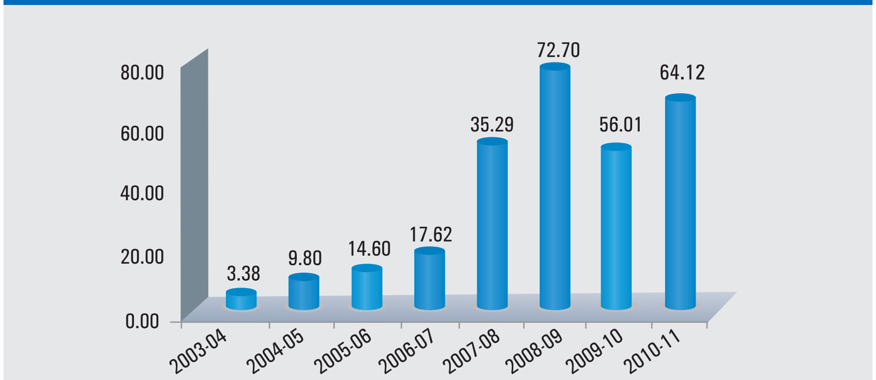






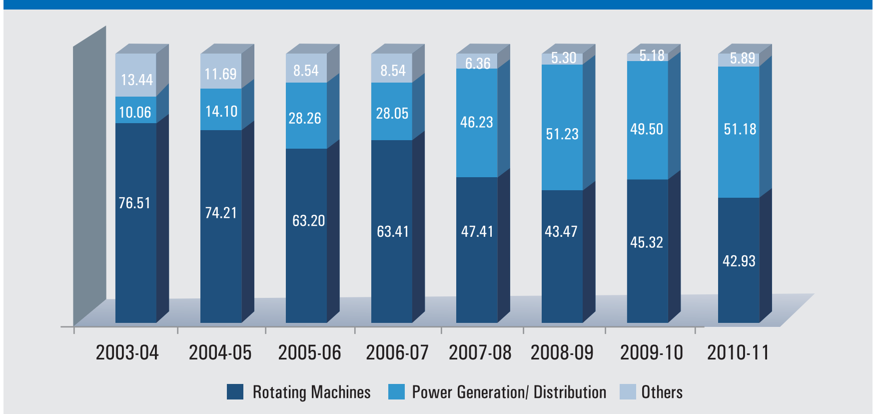
Growth in Export Revenues over the Years

in ₹ Crore



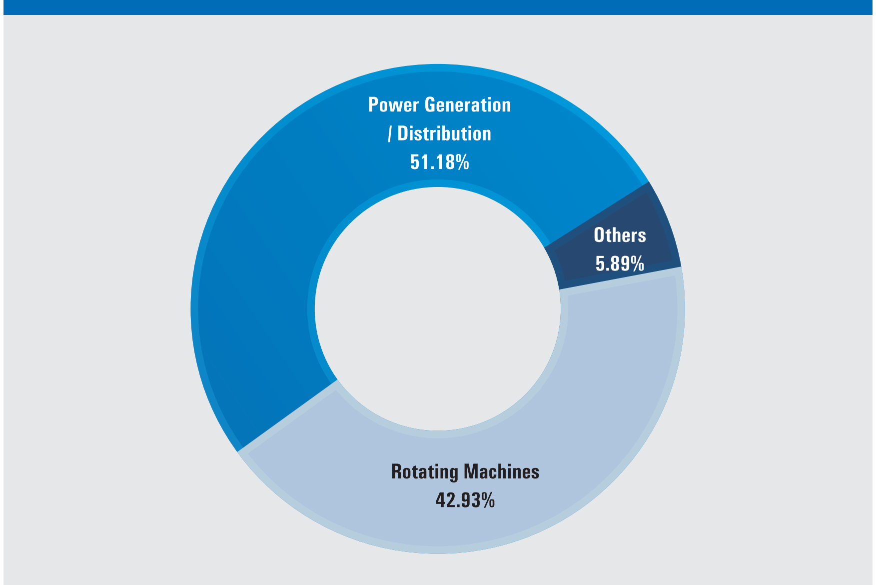
Evolution of Segmental Income in Net Revenue

In Percentage



Share of Net Revenue by Segment

In Percentage



Ladies and Gentlemen,

I am pleased to present the
64th Annual report of your company.

I wish to begin presenting this Annual Report by thanking Mr. P.S Malik, former Joint Managing Director of your company who retired in October 2010 after 13 years of service. Mr. Malik contributed significantly to turn the company around after we faced intense challenges due to adverse market conditions. His competence and commitment saw us through the existential crisis we faced.

I would also like to take this opportunity to welcome Mr. Anuj Pattanaik, who has been appointed as the DMD of your company. He has a wealth of experience in marketing and manufacturing and I am sure with his experience and ability will see KEC take its rightful place in the industry landscape.

Operating in an increasingly borderless marketplace and economy, the world's economic health does impact us. The global economic output which had almost shrunk in 2009 registered a growth of 5% in 2010. IMF foresees a 4.5% growth in world economy in 2011 and 2012. The GDP of India which was 6.7% in 2008-09 and 8% in 2009-10 was around 8.6% in 2010-11. The GDP growth rate is expected to be maintained in 2011-12 with a satisfactory monsoon predicted for the year.

As you will see from the Directors' Report alongside, the turnover of the Company during the year 2010-11 amounted to Rs.823.87 crores and net profit was Rs.2.11 crores. On a consolidated basis, the turnover was Rs.1087 crores with a net profit of Rs.6.91 crores.

Kirloskar Electric participated in India Engineering Trade Fair held in New Delhi held from 10-12 February 2011




Higher raw material prices, increased interest costs and reduced margins have had an adverse impact on the profitability of the Company. Going forward, we are determined to boost our profitability as good turnover in itself does not imply greater shareholder value. Special attention is being paid towards that and we have initiated several measures across board - cutting costs, reducing overheads and taking an overall disciplined approach, rationalizing and streamlining operations to enhance efficiency.

Coming to current issues, change is the mantra at KEC this year. As you are aware, change is the only constant in today's marketplace and we need to adapt to this dynamic paradigm to sustain, grow and increase our market share. Reflecting this, we have initiated several systems and processes to ensure we are more assertive in the marketplace, more supportive to our partners, and more responsive to our customers.

On the market side, we also have started the process of mapping key customers across segments, potential channel partners and products/ solutions that bring in healthy margins. The sales organization is being recast to enhance the company's reach and our product lines are being analysed for market demand and profitability.

We are looking at increasing our presence in markets in Middle East. We have secured orders for INR 4 Crores based on our efforts in the previous year. We are also looking at the CIS countries and Europe for our next foray.

Our indigenously developed Coolant Pump Motors for Nuclear Power Corporation of India are scheduled for delivery in 2012 and the project is on schedule.

This year, we have officially entered the fast-growing Electric Vehicle segment, by launching a range of special Induction Motors used for the electric and hybrid motor vehicles both in the personal transportation and Commercial Vehicle segment. I am proud to say that your company is working with every leading car maker in India in this segment as an OEM and also in offering a retrofit option to customers.

We launched our range of Induction Motors for Electric Vehicles. These are designed for Full Electric and Hybrid models of Personal and Commercial vehicles.

Considering the unprecedented increases in the prices of petroleum products in recent times and with more such moves anticipated, we expect huge demand for this range of products. We have supplied over 2000 AC Motors to Reva Electric cars, functioning to complete customer satisfaction for over 5 years now. This gives us the motivation to enter the global market as a chosen supplier for leading brands in the near future.

As part of our modernization program, we have implemented SAP across all our manufacturing units and envisage benefiting from the synergies of a common platform for a smooth operation across the organization. We want to exploit these synergies for all functional areas.

We have also acquired a state-of-the-art 3D modeling software for our Design and Engineering functions to enhance efficiency and reduce errors in the design/production of components.

Our German company LDW has been performing as expected despite the German economy continuing to remain sluggish with no significant improvement since the previous year. LDW had a turnover of INR 263 crores (€ 43.509 million) in 2010-11 with a net profit of INR 9.06 crores (€1.270 million). We are confident that this operation would contribute to our profitability in the coming years.

As for the update on our activities in India, we have settled all pending labour issues with the unions and they proactively participating in our initiatives.

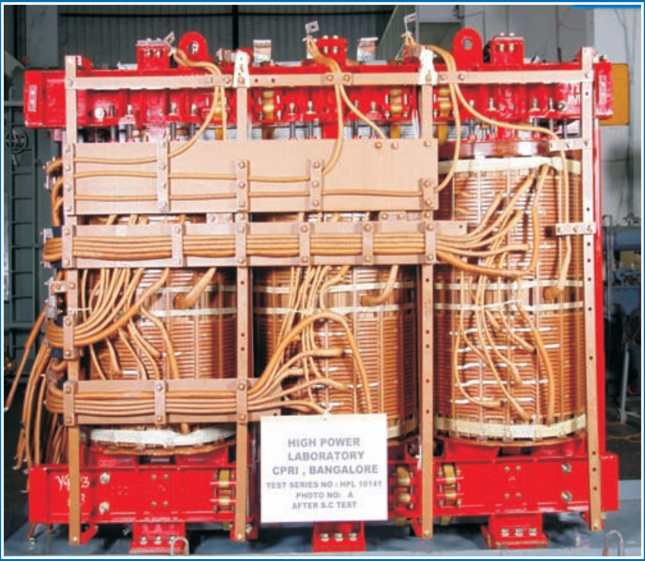
Continuing on our last year's plan of reactivating the training efforts for our employees, we have decided to make Hubli our center for this. We plan to conduct sessions imparting technical and managerial skills on various aspects enabling our employees to deliver effectively in a competitive business ecosystem. We plan to recruit a team of young professionals to effectively address emerging market requirements and take on competitors aggressively.

Increasing investments in domains like Sugar, Steel, Cement and Fertilizers will see a rising demand for our products - from Motors, Transformers and switchgear, to Power Generation Equipment. We are foraying into newer markets like Infrastructure with our current products and also have several newer ones on the anvil, and plan to benefit from the massive growth being experienced by this sector.

Photo of 20 MVA / 33 kv Transformer core coil assembly after Sucessfully passing ShortCircuit Test at CPRI Bangalore.

The tank was specially designed and fabricated to withstand full vacuum & 20 psi pressure.

We have manufactured and supplied 3 such Transformers to Kolkata International airport.



Considering our excellent track record and unique technical edge, we also envisage increasing our presence in the Defence sector by developing specialized products to address their unique needs. We also expect to benefit from the investments in Power Sector from the Government of India.

Considering our own commitment to gender equality and women empowerment, we plan to offer more opportunities to women in our organization.

I would like to sign off by stating that I have received unstinted support from all investors and would again like to take this opportunity to express my gratitude to the Board, Banks and Financial Institutions, Shareholders, and Customers for their continued confidence in Kirloskar Electric. I would also like to take this opportunity to thank all our employees for their commitment, dedication and support, to the management team in this hour of transition and change.

On behalf of the management team, I wish to reiterate that we will do what it takes to ensure KEC retains its rightful place to soon become a brand cherished by all associated stakeholders and the community we live in.

Vijay R Kirloskar
Chairman and Managing Director

Two of the many new designs developed during the year

Hoist motor for DEMAG – This motor is for Hoist application on account of DEMAG. The motor is designed especially for low vibration and noise level with 4.5kW, 6 pole output. This also contains special mounting flange and shaft design.

Textile motor – This motor is on account of SAPRU, Surat. This is 0.37kW, 2 pole, 185 Hz motor. The motor is designed to run up to maximum 9000 rpm. Noise and Vibration parameters throughout the speed range were critical.

PRODUCT RANGE

Motors

AC Motors

Range	:	0.37KW to 6MW
Frame Size	:	63 to 1120
Standards	:	IEC/BS/IS/VDE/JIS
Supply Voltage	:	415V/3KV/3.3KV/6KV/6.6KV/10KV/11KV
Frequency	:	25/50/60Hz

DC Motors

Frame Size	:	80 to 1000 mm by IEC center height: Up to 3100 mm by Rotor Diameter
Output	:	0.5 kW to 6000 kW

Switchgear

Indoor VCB and Panel up to 11kv,25KA
Indoor VCB up to 12KV,2500A,40KA
Indoor VCB 33kv, 1600A, 26.2KA
Outdoor PC VCB up to 36KV,1600A, 26.2KA
SF6 CB & panel up to 12kv, 2500A, 40KA
SF6 CB & Panel 24kv & 36kv, 1250A, 25KA
Unitized package sub-station with CRT, OFT

Transformers

Oil Cooled Distribution Type	:	160kVA 11kV Class to 10MVA 33kV Class
Cast Resin Dry Type	:	160kVA 11kV Class to 10MVA 33kV Class
Oil Cooled Power Type	:	5MVA 66kV Class to 100MVA 220kV Class

Special Transformers

Neutral Grounding/Earthing	:	8000AMPS, 33kV Class
Convertor Duty	:	25MVA 66kV Class
Furnace Duty	:	36kA, 33kV Class

DG Sets

12.5-34kVA	:	Freedom Series
35-160kVA	:	Republic Series
180-500kVA	:	Independence Series

AC Generators

Range	:	1kVA to 20 MVA
Standards	:	IEC / BS / IS
Supply Voltage	:	220V to 11000V
Synchronous Speed	:	3000 to 500 rpm

Electronics

DC Drive : 10000Amps – Variable speed control of DC Motor Shunt Wound and Separately Exited

AC Drive - 2000KW @ 415V, 2800KW @ 690V – Variable Speed control of AC Squirrel cage induction motor

UPS – 160 KVA Conditioned Power supply with data back-up for data processing equipment, machines etc.

Battery Charger – 500 Amps – For charging battery bank, supply of DC load requirements

DIRECTORS' REPORT

TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2011

To

The Shareholders

Your Directors present the Company's 64th Annual Report with the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011.

Results of Operations

` in million

	2010-11	2009-10
Income	**8238.7**	8407.3
Expenditure	**6330.9**	6151.3
Gross Profit	**1907.8**	2256.0
Operating expenses	**1482.3**	1499.7
Operating Profit before interest and depreciation	**425.5**	756.3
Interest	**257.6**	225.7
Depreciation, amortisation and provisions	**182.5**	175.6
Operating profit before tax and extraordinary items	**(14.6)**	355.0
Other income (net)	**36.9**	119.5
Net profit before tax and extraordinary items	**22.3**	474.5
Extraordinary Income (Expenditure)	**(1)**	6.4
Net profit before tax and after extraordinary items	**21.3**	480.9
Provision for taxation	**0.2**	105.0
Net profit after tax and after extraordinary items	**21.1**	375.9

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of ` 8.24 billion (previous year ` 8.41 billion). The operations have resulted in a net profit of ` 21.1 million (previous year ` 375.9 million).

Industry Outlook

The Electrical Industry has been witnessing consistent growth during last few years but for a lull during 2008-09 on account of worldwide recession, which affected all industries. The performance of the industry is directly related to the country's GDP growth. If the monsoon is good, forecast for which is "normal", the Electrical Industry should perform well in 2011-12 also.

Appropriations

Dividend

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

Subsidiary – Kirsons B.V.

The operations of Kirsons B.V.,your subsidiary have resulted in net profit of Euro 3.947 million after accounting for profits of its subsidiaries.

Subsidiary Companies

The Company as of March 31, 2011 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries - Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary companies for the year ended 31st March, 2011 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statement presented by the Company includes financial information about its subsidiaries.

Environment, Safety and Energy Conservation

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

Particulars of Employees

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

Corporate Governance

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

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

These annexures form part of this report.

Directors

Mr.A.S.Lakshmanan, Mr. S.N.Agarwal and Mr.Sarosh J Ghandy retire by rotation and being eligible offer themselves for re-appointment.

The Board of Directors have at their meeting held on 23rd September, 2010 appointed Mr.Anuj Pattanaik as additional director and have also appointed him as Deputy Managing Director for a period of five years from 23.9.2010, subject to approval of shareholders and such other approvals as may be required.

Mr.Anuj Pattanik is a B.Tech in Mettalurgical Engineering from Indian Institute of Technology, Kanpur with rich experience of over three decades of working with well known national and international organizations.

Mr.P.S.Malik, Joint Managing Director, retired from the services of the Company during the year under review, after over 13 years of service in the Company. Your Directors place on record their appreciation of the valuable services rendered by Mr.Malik during his tenure as a Director of the Company.

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the Profit and Loss Account for the year ended 31st March, 2011.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Human Resources

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

Mr.R.K.Gupta, CFO, left the services of the Company during the year under review for personal reasons, after a long distinguished service.

Segmentwise Operational Performance

Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to ` 6401.65 million as against ` 7536.26 million in 2009-10.

Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to ` 4646.76 million as against ` 4496.14 million in 2009-10.

Others

During the year under review the sale of other Electrical Products amounted to ` 535.90 million as against ` 444.49 million in 2009-10.

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

As you are aware the Company holds approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholding in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG, Germany is a limited partnership existing in accordance with the laws of Germany which owns an electrical machine manufacturing plant at Bremen, which is being operated by the said limited liability firm. During the year ended 31st March, 2011 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 43.509 million (` 263 crores ) with a net profit after tax of Euros 1.270 Million (` 9.06 crores).

Auditors' Report

The comments/observations of the Auditors are self-explanatory and the Company's explanations thereto have been given in relevant notes in the Notes to Accounts. Further explanations in regard to the reservations/qualifications in the Auditors Report are furnished below :-

Para 10 (i) of the Auditors Report and Para 4 of the Annexure to the Auditors Report

Confirmations have been received from some parties and from some they are expected. Confirmation is ongoing process. However, this has no impact on financial results of the Company.

Para 8 and Para 10 (ii) of the Auditors Report

This has no impact on the accounts. The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has from time to time initiated steps to bring the valuation of inventory at all units in line with Accounting Standard–2 (Valuation of Inventory).

Para 10 (iii) of the Auditors Report

The Company has used and relied upon its internal market intelligence to estimate the realizable value of assets held for sale. The estimated realizable value is judged to be in line with the market valuation.

Para 10 (iv) of the Auditors Report

The Company is confident of realising the amounts due from certain companies referred to therein.

Para 2 a of the Annexure to the Auditors' Report

Confirmations have been received from some parties and from some they are expected. Confirmation is an ongoing process.

Para 2 b of the Annexure to the Auditors' Report

The Company has already identified the key focus areas and has started taking the necessary steps to make the inventory verification reasonable and adequate.

Para 2 c and Para 8 of the Annexure to the Auditors Report

During the year, the Company has completed implementation of SAP ECC 6 System at certain units and it will implement it at the remaining units in phased manner in the current year. SAP is an integrated software where all the inventory records are maintained. The Company has from time to time taken physical inventory at all locations. Since the valuation of inventory was done on the basis of physical inventory count performed as at 31^{st} March 2011, the discrepancies, if any, have been properly dealt with in the books of accounts. The discrepancies were not material in nature.

Para 7 of the Annexure to the Auditors' Report

The Company has started the initiatives to strengthen the internal audit system to make it commensurate with the size and nature of its business.

Para 9 b of the Annexure to the Auditors' Report

The Company has made necessary arrangements to pay these dues.

Auditors

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

Fixed Deposits

7 persons had not claimed repayment of their matured deposits amounting to `. 2.44 lakhs as at 31^{st} March, 2011.

Acknowledgements

The Directors place on record their appreciation of efforts of employees at all levels. They would like to place on record their sincere appreciation for the continued co-operation and support provided by the Bankers, Financial Institutions, Customers, Suppliers, Depositors and Shareholders.

For and on behalf of the Board of Directors,

Bangalore
Date : May 28, 2011

Vijay R Kirloskar
Chairman

CERTIFICATE

To the Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited, for the year ended on 31.3.2011 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

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

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

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

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

For B K RAMADHYANI & CO.,
Chartered Accountants

Place : Bangalore
Date : May 28, 2011

CA. SHYAM RAMADHYANI
Partner

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION.

A. Conservation of Energy:

a) Energy conservation measures taken;

The Company conserves energy by

1) Use of Solar Energy.
2) Improving system power factor.
3) Reduction of maximum demand and restricting the maximum demand to billing demand.
4) Monitoring of energy consumption and further requisite follow-up.
5) Optimum utilisation of high energy consuming electrical equipments like ovens, winding machines.

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

1) Implementation of induction brazing processes.
2) Optimization of varnish impregnation process
3) Installation of system to ensure uniform temperature.

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

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

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

-Not Applicable

B. Technology Absorption

1. Research and Development

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

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

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

3. Future plan of action :

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

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

4. Expenditure on R & D

	(` in 000's)
Capital	-
Recurring	5622
Total	5622
Total R & D Expenditure	5622
as a % of total turnover	0.07

5. Technology Absorption, Adaptation and Innovation

a. Efforts made in brief for technology absorption, adaptation and innovation.

- Training of personnel in-house.
- Indigenisation of Materials, components and processes.
- Modification of imported technology to suit the prevailing Indian Market.

b. Benefits derived as a result of the above efforts

- Enhanced Product Range
- Quality improvement
- Development of new Products

c. Future Plan of Action

- upgradation of existing technology
- Development of new processes

d. Technology imported during the last 5 years.

A. Technology Imported - Nil

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

-NA –

C. Foreign Exchange Earnings and Outgo

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

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth ` 64.12 crores. The Company's exports are growing steadily.

2 total foreign exchange used and earned.

a)	Foreign Exchange earned		**(` in 000's)**
	(i)	FOB value of goods exported (net) inclusive of sales within India eligible for export incentives.	641196
	(ii)	Dividend on shares (net of tax)	352
	(iii)	Repatriation of Profit	Nil
	(iv)	Others	27901
b)	Foreign Exchange Used		
		Value of imports calculated on the CIF basis.	
	(i)	Raw materials & Componentsand spare parts.	656632
	(ii)	Capital Goods	3370

For and on behalf of the Board of Directors

Bangalore
Date : May 28, 2011

Vijay R Kirloskar
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance

Company's Philosophy

The Company firmly believes in good Corporate Governance. It has been the policy of the Company to be fully open and transparent in the matter of management of the Company and reporting to shareholders and all others concerned.

Board of Directors

The Company is presently having eleven Directors out of which two are Executive Directors, seven Non - Executive – Independent Directors and two Directors are Non-Executive - Non Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 63%.

The Company did not have any pecuniary relationships in transactions with the Non-Executive Directors during the period under review except payment of sitting fees and reimbursement of expenses incurred for attending the meetings.

During the financial year, seven Board Meetings were held. The meetings were held on 15.5.2010, 10.7.2010, 14.8.2010, 23.9.2010, 12.11.2010, 14.2.2011 and 23.03.2011.

The information about composition of Board of Directors and Directors' attendance at the Board Meetings and the number of other directorships and Committee Memberships held by them is given below.

Sl No.	Name of Director	Category of Directorship	No.of Board Meetings Attended	Attendance at last AGM	No.of other Directorships@	No. of other committee Memberships
1	Mr. Vijay R Kirloskar	Executive Chairman & Managing Director Promoter	7	Yes	5	Nil
2	Mr.Anuj Pattanaik#	Executive - Deputy Managing Director	4	NA	Nil	Nil
3	Mr.P.S.Malik*	Executive - Joint Managing Director	4	Yes	NA	NA
4	Mr.A.S.Lakshmanan	Non Executive - Independent Director	7	Yes	2	Member-2
5	Mr. S.N.Agarwal	Non Executive - Independent Director	4	Yes	4	Member-2
6	Mr. Anil Kumar Bhandari	Non Executive - Independent Director	6	Yes	2	Nill
7	Mr.Sarosh J Ghandy	Non Executive - Independent Director	4	No	6	Chairman-3 Member-1
8	Mr. V.P.Mahendra	Non Executive - Independent Director	5	Yes	5	Chairman-1 Member-1
9	Mr.Kamlesh Gandhi	Non Executive - Independent Director	6	Yes	5	Chairman-1 Member-2
10	Mr.D.Devender Singh	Non Executive - Independent Director Nominee – LIC	3	No	Nil	Nil
11	Mr.Berthold Groeneveld	Non Executive - Non Independent Director	5	Yes	Nil	Nil
12	Mrs. Meena Kirloskar	Non Executive - Non Independent Director	5	Yes	Nil	Nil

* Ceased to be a Director of the Company w.e.f. 11.10.2010

@ as on 31.3.2011- of Public Limited Companies only – for Directors who continue on the Board.

Appointed on 23.9.2010.

The list of present directors is given in the beginning of the Annual Report.

Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

AUDIT COMMITTEE

The Audit Committee consists of five independent Non-Executive Directors.

The terms of reference to the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides some other functions as referred to it by the Board of Directors.

During the financial year, the Committee met on 15.5.2010, 10.7.2010, 14.8.2010, 23.9.2010,12.11.2010,14.2.2011 and 23.03.2011

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

Name of Director	No. of Meetings Attended	
Mr. S.N.Agarwal	4	Chairman
Mr. A.S.Lakshmanan	7	Member
Mr. Anil Kumar Bhandari	6	Member
Mr. Sarosh J Ghandy	4	Member
Mr. V.P.Mahendra	5	Member

Shareholders/Investors Grievances Committee :

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 7.3.2011 and reviewed the status of shareholders' grievances, approved share transfers, etc.

The terms of reference of Shareholders/Investors Grievances Committee include, interalia, to look into the shareholders and investors complaints regarding transfer of shares, non receipt of balance sheet, non receipt of dividends etc. and to redress the same.

The Shareholders/Investors Grievances Committee at the beginning of the year consisted of

Mr. Anil Kumar Bhandari - Chairman

Mr. Vijay R Kirloskar

Mr. P.S. Malik

Mr. Malik ceased to be a member of the Committee with effect from 11.10.2010.

The Shareholders/Investors Grievances Committee has the following members now:-

Mr. Anil Kumar Bhandari - Chairman

Mr. Vijay R Kirloskar

Mr. Anuj Pattanaik

The particulars of the meeting attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. Anil Kumar Bhandari	1	Chairman
Mr.Vijay R Kirloskar	1	Member
Mr. Anuj Pattanaik*	1	Member

*appointed as member w,e.f 12.11.2010.

To expedite the process of share transfers, the Board has delegated the power to approve share transfers upto a limit, to the Company Secretary who attends to the share transfer work periodically, approximately once in fortnight. Mr. P.Y.Mahajan, Vice President (Legal) & Company Secretary is the Compliance Officer.

Remuneration Committee

During the year under review, the Committee met on 10.7.2010, 13.8.2010 and 23.9.2010.

The Remuneration Committee consists of following Directors : -

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

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

Name of Director	No. of Meetings Attended	
Mr.S.N.Agarwal	1	Chairman
Mr. A.S.Lakshmanan	3	Member
Mr. Anil Kumar Bhandari	3	Member
Mr.Sarosh J Ghandy	2	Member
Mrs.Meena Kirloskar	2	Member

Committee formed to consider and approve the financial results

The Committee consists of following Directors : -

Mr. A.S.Lakshmanan	-	Chairman
Mr.Vijay R Kirloskar	-	Member
Mr. Anuj Pattanaik*	-	Member
Mr. V.P.Mahendra	-	Member

*appointed as member w.e.f. 12.11.2010.

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

Remuneration Policy

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

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

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

The number of employees working in the organisation as on 31.3.2011 was 1823.

Details of remuneration paid to the Directors during the period under review :

Executive Directors: **(` in Lakhs)**

Name	Salary	Contribution to PF and other Funds	Total Amount
Mr. Vijay R Kirloskar Chairman & Managing Director	108.00	29.16	137.16
Mr. P.S.Malik * Joint Managing Director	37.04	24.69@	61.73
Mr.Anuj Pattanaik # Dy. Managing Director	32.16	6.60	38.76

*Ceased to be Director w.e.f. close of office hours of 11.10.2010

Appointed as Director w.e.f. 23.9.2010

@ includes `.16.97 lakhs towards gratuity

The Managing Director has been appointed for a period of 5 years w.e.f. 17th August, 2010. In case his tenure is determined by the Company prematurely, the Managing Director shall be entitled to compensation as provided under section 318 of the Companies Act, 1956.

Mr. Anuj Pattanaik has been appointed for a period of five years with effect from 23rd September 2010 and the appointment is terminable by either party by giving three months notice to the other. Severance compensation of three months salary is payable to Mr. Pattanaik, if his aggrement is terminated before the contractual period,

Non Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings `
Mr. A.S. Lakshmanan	1,65,000
Mr. S.N. Agarwal	1,13,000
Mr. Anil Kumar Bhandari	1,72,000
Mr. Sarosh J Ghandy	82,000
Mr. V.P. Mahendra	1,21,000
Mr. Kamlesh Gandhi	85,000
Mr. Berthold Groeneveld	55,000
Mr. D. Devender Singh	35,000*
Mrs. Meena Kirloskar	73,000

*Sitting Fees paid to Life Insurance Corporation of India

Shareholdings of Non Executive Directors as on 31.3.2011

Name of the Non Executive Director	Shareholding - No. of Shares
Mr. A.S. Lakshmanan	19934
Mr. S.N. Agarwal	500
Mr. Anil Kumar Bhandari	500
Mr. Sarosh J Ghandy	615
Mr. V.P.Mahendra	2533
Mr. Kamlesh Gandhi	500
Mr. Berthold Groeneveld	500
Mr. D. Devender Singh	500
Mrs. Meena Kirloskar	95360

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

Code of Conduct

The Board has laid down a Code of Conduct for Board of Directors and Senior Managers and the Code is posted on the website of the Company.

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

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for 2010-11.

Bangalore **Vijay R Kirloskar**

May 28, 2011 Chairman & Managing Director

General Body Meetings

The details about the last three Annual General Meetings are given below :

AGM	YEAR	VENUE	DATE	TIME
61st	Apr 2007-Mar 2008	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	17.09.2008	10.00 A.M
62nd	Apr 2008-Mar 2009	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	24.09.2009	10.00 A.M
63rd	Apr 2009-Mar 2010	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	23.09.2010	10.00 A.M

Special Resolutions passed in the previous three Annual General Meetings :

Year	Special Resolution
2007-08	1 Revision of remuneration of Mr.Vijay R Kirloskar w.e.f. 27.6.2008 for the remaining period of his appointment i.e. upto 16.8.2010. 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration 3. Appointment of Ms.Rukmini Kirloskar, Daughter of a Director to hold an office or place of profit under the Company.
2008-09	1. Payment of remuneration to Mr. P.S.Malik, Joint Managing Director from 17th October, 2008 upto 9th October, 2009. 2. Appointment of Mr. P.S.Malik as Joint Managing Director from 10th October, 2009 till 9th October, 2012. 3. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration
2009-10	1. Re-appointment of Mr. Vijay R Kirloskar as Managing Director from 17th August, 2010 till 16th August, 2015.

No Special Resolution through postal ballot is proposed in the ensuing Annual General Meeting.

Disclosures

Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Audit Committee reviews periodically related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others, that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 30 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

Accounting Treatment

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

Risk Management

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

Utilisation of Public Issue Proceeds

The Company has not raised any money through any issue.

Details of non-compliance

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

Cost Audit

M/s. Rao, Murthy & Associates, Cost Accountants, Basavanagudi, Banaglore – 560 004, have been appointed as Cost Auditors of the Company for the financial year 2011-12, under Section 233B of the Companies Act, 1956. The Company has made application to Central Government for appointment of M/s. Rao, Murthy & Associates, as Cost Auditors.

Cost Audit Report for the financial year 2009-10 was filed with Ministry of Corporate Affairs on 29th September 2010 (due date 30th September, 2010). Cost Audit Report for the financial year for 2010-11 will be filed on or before the due date.

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

Compliance with Clause 49

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

Remuneration Committee

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

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

Chairman's Office

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

Shareholder Rights

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

Training of Board Members

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

Whistle Blower Policy

The Company does not have any formal Whistle Blower Policy. But any employee of the Company can approach the Audit Committee if he/she so desires.

Means of Communication

The quarterly/half yearly results are published as per the listing requirements. They are published in English and in Kannada in well known newspapers.

The Company's results are sent to the Stock Exchanges by Email, Fax and Courier. The Company has not given any official news release and has not made any presentation on financial results to institutional investors.

Information about the Company in general and its financial results can be accessed at the Company's website www.kirloskar-electric.com.

Management Discussion and Analysis Report forms part of the Annual Report.

Shareholders' Information

Annual General Meeting

Date : 3rd August, 2011

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall
Gayathri Devi Park Extension
Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2010 to 31st March, 2011

Date of Book Closure : 27th day of July, 2011 to 3rd day of August, 2011 (both days inclusive)

Financial Calendar

Un-audited Results for the quarter ended	Approved on	Published in
30.06.2010	14.08.2010	Business Standard / Samyuktha Karnataka
30.09. 2010	12.11.2010	Business Standard / Samyuktha Karnataka
31.12. 2010	14.02.2011	Business Standard / Samyuktha Karnataka
31.03.2011	28.05.2011	Business Standard / Samyuktha Karnataka

Financial Calendar for the period till 31.3.2012.

Un-audited results for the quarter ending 30th June, 2011	by 14th August, 2011.
Un-audited results for the quarter ending 30th September, 2011	by 14th November, 2011.
Un-audited results for the quarter ending 31st December, 2011	by 14th February, 2012.
Un-audited results for the quarter ending March, 2012	by 15th May, 2012, unless the Company decides to publish audited results directly as per Listing Agreements

Dividend Payment Date : *The Company has not declared any equity dividend for the financial year 2010-11.*

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.
Madras Stock Exchange Ltd.
Bombay Stock Exchange Ltd
National Stock Exchange of India Ltd

Stock Code : Bangalore Stock Exchange Ltd. – KIRELECTRI
Madras Stock Exchange Ltd. –KRL
Bombay Stock Exchange Ltd. – 533193
National Stock Exchange - KECL

ISIN Number : INE 134B01017

The listing fees for 2011-12 have been paid to the Stock Exchanges where the shares are listed .

Market Price Data

During the year under review there was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited. The shares were traded at Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

The prices at Bombay Stock Exchange were as follows:

Month	Monthly High (`)	Monthly Low (`)	Monthly Volume (Nos.)
April, 2010	106.00	91.00	276989
May, 2010	95.90	67.50	1033743
June, 2010	84.85	68.40	1023747
July, 2010	88.50	77.55	878746
August, 2010	81.85	63.20	975996
September, 2010	91.10	63.00	2019983
October, 2010	95.55	79.25	581367
November, 2010	93.35	65.60	481649
December, 2010	74.00	58.00	639774
January, 2011	76.95	57.00	394626
February, 2011	58.50	47.50	531867
March, 2011	50.95	42.30	1042551

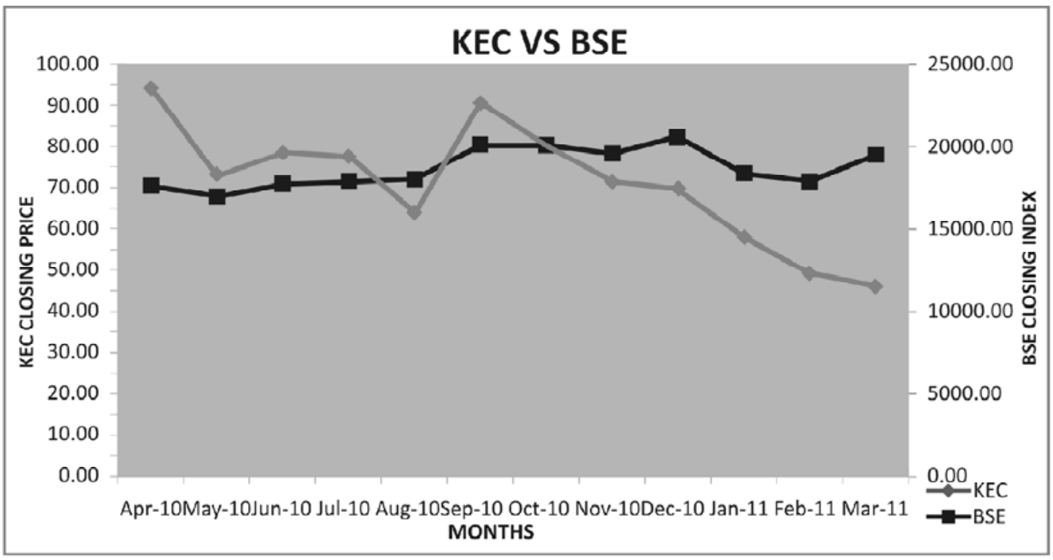
The prices at National Stock Exchange of India Ltd. were as follows

Month	Monthly High (`)	Monthly Low (`)	Monthly Volume(Nos.)
April, 2010	101.95	86.00	439253
May, 2010	94.65	68.00	349443
June, 2010	84.90	67.50	375160
July, 2010	88.50	77.15	538955
August, 2010	81.80	62.15	397999
September, 2010	91.55	63.05	1446562
October, 2010	94.80	78.00	249492
November, 2010	93.60	64.60	234305
December, 2010	75.95	60.00	131737
January, 2011	77.45	57.00	226103
February, 2011	60.40	47.00	121232
March, 2011	58.65	42.50	191557

Share Price Movements :

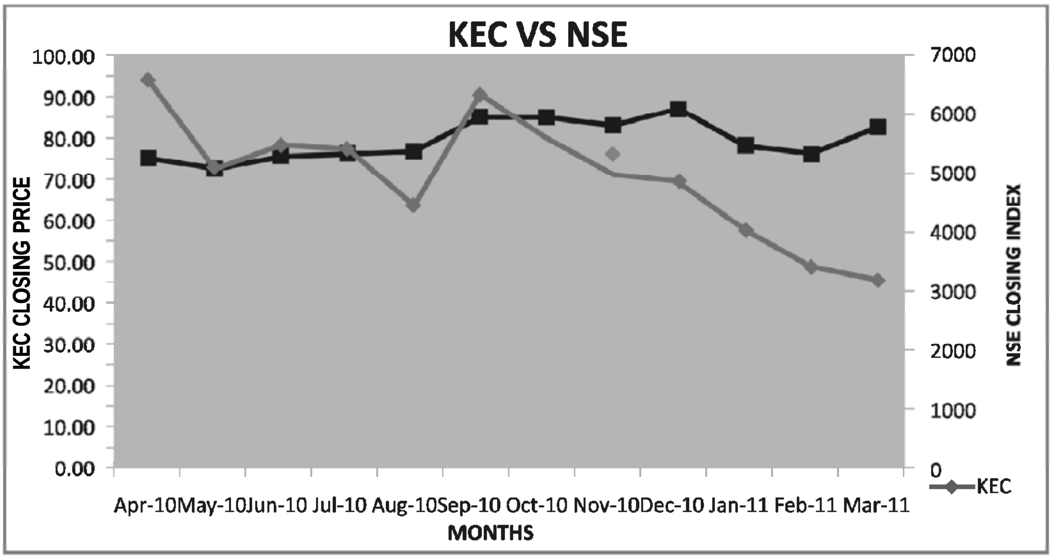
Share Price Movements for the period 1st April, 2010 to 31st March, 2011

Kirloskar Electric Company Limited (KEC) vs BSE Sensex



Share Price Movements for the period 1st April, 2010 to 31st March, 2011 -

Kirloskar Electric Company Limited (KEC) vs NSE Sensex



Registrar and Share Transfer Agents

M/s. Integrated Enterprises (India) Ltd, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares . Their address is:

M/s. Integrated Enterprises (India) Ltd

30, Ramana Residency, 4th Cross,

Sampige Road, Malleswaram,

Bangalore 560 003.

Telephone No : 23460815,23460816,23460817 and 23460818

Fax No. 23460819

Website :www.123alpha.com

All applications for transfer/dematerialisation may be forwarded to the Registrars at their above address or to the Company at its Registered Office.

The Company's shares are in compulsory demat mode. Investors/Members are requested to note that physical documents, viz. Demat Request Forms (DRF), Share Certificates, etc. should be sent by their DPs' directly to the Transfer Agents of the Company. Investors/Members who purchase/acquire shares of the Company in the physical form should similarly send the physical documents, viz Transfer Deeds, Share Certificates etc. to the Transfer Agents of the Company. In cases of transfer of shares in the physical form, option is given to transferees to dematerialise their shares as per SEBI guidelines. If the option is not exercised, physical share certificates duly endorsed for transfer are despatched.

The shareholders' complaints received during the year have been resolved with due despatch and no complaints were pending as on 31.3.2011. The number of physical transfers pending as on 31.3.2011 was 7 transfer applications for 581 shares and there were no dematerialisation requests pending as on 31.3.2011. The transfers pending on 31.3.2011 have since been effected. The Company has not received any request for rematerialisation during the year.

Distribution of Shareholding as on 31.3.2011

Shareholding Range	No. of share holders in Demat Form	No. of Shares	No. of share holders in physical Form	No. of Shares	Total No. of Share holders	%	No. of shares	% of Share holdings
1-500	14726	1786133	22580	994602	37306	93.11	2780735	5.50
501-1000	1052	865977	275	200721	1327	3.31	1066698	2.11
1001-2000	506	777909	146	201754	652	1.63	979663	1.94
2001-3000	223	575896	47	115692	270	0.67	691588	1.37
3001-4000	95	339638	22	76126	117	0.29	415764	0.82
4001-5000	91	427801	15	64957	106	0.27	492758	0.98
5001-10000	138	1049328	17	118198	155	0.39	1167526	2.31
10001 & above	124	34595718	9	8330917	133	0.33	42926635	84.97
TOTAL	16955	40418400	23111	10102967	40066	100.00	50521367	100.00

Pattern of Equity Shareholding as on 31.3.2011

Category	No. of Shares held	Percentage of Shareholding
Promoters	24862628	49.21
Banks, Financial Institutions	4102889	8.12
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	4332388	8.58
Indian Public	15240192	30.17
NRIs/OCBs	1982420	3.92
TOTAL	50521367	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2011 was ` 50,52,13,670 (50521367 shares of `.10/- each). Out of the total Equity paid up share capital of ` 50,52,13,670, 4,04,18,400 equity shares representing 80.01% of the Equity Capital were held in dematerialised form as on 31.3.2011.

Shareholders complaints received during te period 1.4.2010 to 31.3.2011

Type of Complaint	Number of Complaints Received	Number of Complaints	Redressal under process
Letters regarding Non receipt of Annual Reports	10	10	Nil
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	4	4	Nil
Miscellaneous Letters or complaints received other than of above categories.	13	13	Nil

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

The Company has no GDR/ADR/Warrants or any convertible instruments.

Insider Trading

The code of internal procedure of conduct and code of corporate disclosure practices as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended by the Notification of 20th February, 2002 has been approved on 24th September, 2002 and is made effective with effect from 1.10.2002.

Plant Locations

Govenahalli	Hubli	Mysore	Kachenahalli	Tumkur	Tumkur Road
Survey No.16 Govenahalli Thyamagondalu Hobli Nelamangala Taluk Bangalore Rural District 562 123	Gokul Road, Hubli 580 030	Belvadi- Industrial Area, Mysore 570 018	Survey No.81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural 562 123	Hirehalli Industrial Area, Hirehalli Tumkur 572 168	JD Royalite Building Tumkur Road Bangalore 560 022

Hubli	Nagar Road	Kondhapuri	Andul Mauri
Sy. No.16/1 Gabbur Village P B Road, Hubli 580 028	5/4 Nagar Road Pune 411014	GAT No. 309, 315, 317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	Cal-Mumbai Truck Terminal Ltd. East Wing - 14, Jala Dhulagori Sankrail, Andul Mauri, Howrah 711302

Address for Correspondences :

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

Directors' Responsibility Statement

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry

Your Company is engaged in Electrical Industry, which has various groups such as Rotating Machines Group, Static Equipments Group, Switchgears Group, Transformers Group, Capacitors Group, Transmission Lines Group, etc., Each product group is having its different products within its broad range. The industry is further divided into Organised Sector and Unorganised Sector. Your Company manufactures and deals in major products in the industry.

Opportunities

The GDP growth expected in the current year is around 8.6%. With the expected capital investments by the private sector as well as the public sector the demand for the Electrical Industry is expected to appreciate in the near future and as such the high growth exhibited a couple of years back is expected again and demand is expected to pick up. With consistent GDP growth the Country continues to require power on growing scale. There is considerable energy deficit. This provides significant opportunities for private companies to share in the chain of power business. The infrastructure development is enabling developments in places away from cities where power availability is poor which provides good opportunity for genset business. The growth of Hospitality and Entertainment industries also augurs well for genset business. The strong brand image of the Company's products on account of our stress on quality puts us in an advantageous position. It may be noted that the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

Threats

Delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. Rising diesel prices could bear on genset business. The industry is becoming highly competitive. The long term outlook appears to be bright. The actual performance may differ, as it is dependent on several factors beyond control of the Company.

Performance Overview

During the year the Company has achieved a turnover of ` 8.24 billion as against ` 8.41billion in the previous year. The profit after tax for the year is ` 21.1million as against a profit of ` 375.9 million in the previous year.

Segmentwise or productwise performance

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

The segmentwise turnover of the Company is as follows: -

(` in 000's)

Products	**2010-11**	2009-10
Rotating Machines Group	6401652	7536264
Power Generation and Distribution Group	4646760	4496139
Others	535905	444497
TOTAL	**11584317**	**12476900**

Future Outlook

As has been mentioned earlier in the Report, the Indian Industry is set to perform well. It appears that the economy will have GDP growth of about 8.6% in 2011-12. The various industries to which the Company caters to are expected to do well and demand from them is expected to be good. The power deficit provides opportunity to share in the chain of power business. The outlook appears to be good at this juncture.

Risks & Concerns

The rise in prices of raw materials, supply uncertainties and tighter monetary conditions are a matter of concern.

Internal Control System

The Company has in place an adequate system of internal controls commensurate with the size of the Company and the nature of its business. This ensures efficacy of operations and safeguarding of assets against loss and compliance with applicable legislation. The system involves appropriate and timely recording of all transactions and financial tracking. There exists an adequate management reporting system comprising managerial reporting and analysis on various performance indicators, for corrective action as necessary. The Company has regular review systems to monitor the performance against agreed financial parameters to assess the strengths and areas of improvement at all the Units.

Human Resources

Employees at all levels have put in their best to the services of the Company. Industrial relations during the year were cordial and the Company continued to have good support of all its employees at all levels. The Company is focusing on Employee Retention, Development, Recognition and Performance management.

For and on behalf of the Board

Bagalore
Date : May 28, 2011

Vijay R Kirloskar
Chairman

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2011 and certify, to the best of our knowledge and belief, that:

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

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

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

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

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

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

Place : Bangalore
Date : May 28, 2011

Vijay R Kirloskar
Chairman & Managing Director

CA Vinayak N Bapat
Vice President &
Chief Financial Officer

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

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2011, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto.

1 These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 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 Companies Act, 1956('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the annexure referred to above, we report that:

4 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.

5 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.

6 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.

7 The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.

8 In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 22 (b) of Schedule 'O' (valuation of Inventories) (AS 2)*.

9 On the basis of written representations received from directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

10 Attention of the members is invited to:

i) Note 21 of schedule 'O' regarding accounts of certain debtors, creditors, loans and advances, reconciliation of balances between the Company, its erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. The relevant accounts are subject to adjustments, if required after completion of review, reconciliation and identification of further doubtful debts/advances.

ii) Note 22 of schedule 'O' regarding SAP ECC 6 systems implemented being subject to stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realizable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements is as assessed by the management and not verified by us.

iii) Note 24 of schedule 'O' regarding realizable value of assets held for sale being assessed by management without the support of an external valuation or quotations from prospective buyers

iv) Note 25 of schedule 'O' regarding amounts due from certain companies of Rs.23.692 million, which have incurred losses and whose net worth has been partially or wholly eroded.

In all cases referred to above, effect on revenue is not ascertainable. We do not express any independent opinion in these matters.

11 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 20 of schedule 'O' to the financial statements read with the other notes and schedules give the information as required by the Companies Act, 1956 in the manner so required and subject *to paragraph 10 above, paragraph 2 of the annexure to this report* give a true and fair view in conformity with the accounting principles generally accepted in India: -

A In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011

B In the case of the profit and loss account, of the profits of the Company for the year ended on that date and

C In the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYA NI & CO.
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership number 019522

Bangalore
Date: May 28, 2011

ANNEXURE TO AUDITORS' REPORT

(AS REFERRED TO IN PARA 3 OF OUR REPORT
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.

   b. The management during the year has physically verified a portion of fixed assets in respect of certain units. We have been informed by the management that no material discrepancies were observed. However, a comprehensive physical verification needs to be carried out. Fixed assets lying with third parties are subject to confirmation.

   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. *Certain stocks lying with third parties are subject to confirmation.*

   b. *The procedures of physical verification of inventories followed by the management need to be improved to make them 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 certain units. Certain mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time (refer note 22(a) of schedule O). The Company is in the process of quantifying the excess and shortages adjusted in the book of account. Stock records at certain units are under updation. Accordingly, we are unable to state whether the discrepancies between book records and inventory are material and have been properly dealt with 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 two fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interest of the Company. The maximum amount involved during the year and the amount outstanding as at the end of the year were ` 3.500 million.

   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 19 & 25(a) of schedule 'O' 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 special and/or are customised to the requirements of the Company and as such comparative quotations are not available and subject to *notes 21 & 22 of schedule 'O',* there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. We have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls, subject to *note 21 of Schedule 'O'*.

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

   b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding ` 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.

6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public.

7. The Company's internal audit system needs to be strengthened in terms of coverage and periodicity to make the same commensurate with the size and 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 are of the opinion that prima facie the prescribed accounts and records have been made and maintained*, subject to paragraph 2(c) above regarding inventory records.* 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 provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months and non payment of certain dues detailed in paragraph 9(b) below. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

   b. We have been informed by the management that the customs duty payable of ` 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. Matured deposits aggregating to ` 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries. According to the information and explanations given to us, the following undisputed statutory dues were outstanding as at March 31, 2011 outstanding for a period of more than six months from the date they became payable.

Name of the Statute	Nature of Dues	Amount Rs.	Period to which it relates	Due Date	Date of Payment
The Maharashtra VAT Act, 2002	MVAT	784,648	2008 – 2009	March 31, 2010	Unpaid as on date
The Service Tax Act	Service tax on Goods Transport Agency	5,503	April 2010 to August 2010	5th of subsequent month	Unpaid as on date

c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at March 31, 2011 with the relevant authorities on account of disputes.

Name of the statue	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	1,596,910	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	2,459,790	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Demands at Various Branches of the Company	1,178,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	4,532,781	2002 to 2005	Commissioner of Sales Tax (A)
Bombay Sales Tax Act	Sales tax demand	505,585	2002 to 2005	Commissioner of Sales Tax (A)
Central Sales Tax	Sales tax demand.	54,648,404	1999-2000, 2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act	Sales tax demand	334,085	1999-2000, 2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Works Contract Tax Act	Sales tax demanded	1,004,030	2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Karnataka Sales Tax Act	Resale tax demanded	36,906,894	2002 – 2005	High Court of Karnataka
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	38,051,249	2005 – 2008	High Court of Karnataka
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise, 1944	Excise demand	217,927	April 1993	High Court of Karnataka
The Central Excise, 1944	Excise demand	129,023	September 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Excise demand	133,370	September 2007	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Cenvat credit demand	574,282	April 2008 to June 2009	Commissioner of Central Excise (Appeals)
The Income Tax Act,1961	Income tax demand	9,306,736	Assessment year 2008-2009	Commissioner of Income Tax (Appeals)

10. In our opinion, the Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year. This is without taking cognizance of our comments in paragraph 10 of our report.

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 except for delays in certain months.

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 guarantee for loan taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to the interest of the company.

16. In our opinion, the Company has not taken any terms loans during the year and hence clause 4 (xvi) of the Order is not applicable.

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.498.785 million funds raised on short- term basis have been used for long-term investment.

18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.

19. According to the information and explanations given to us, the debentures issued by the Company to the Industrial Development Bank of India to an extent of Rs.49.4 million in terms of the scheme of arrangement approved by the honourable High Court of Karnataka under sections 391 to 394 of the Companies Act, 1956 stand redeemed.

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, 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 SHYAM RAMADHYANI
Partner
Membership No.019522

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th cross, Malleswaram,
Bangalore - 560 055
Date: May 28, 2011

BALANCE SHEET AS AT 31ST MARCH 2011

(₹ in 000's)

	Schedule	As at 31st March 2011		As at 31st March 2010	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
a) Capital	A	582,573		659,932	
b) Reserves & Surplus	B	1,313,882		1,292,829	
			1,896,455		1,952,761
LOAN FUNDS					
a) Secured Loans	C	1,003,997		1,041,117	
b) Unsecured Loans	D	511,015		361,122	
			1,515,012		1,402,239
TOTAL			3,411,467		3,355,000
APPLICATION OF FUNDS					
FIXED ASSETS					
a) Gross Block	E	2,907,524		2,818,353	
b) Less : Depreciation		1,293,332		1,132,844	
c) Net Block			1,614,192		1,685,509
d) Capital Work in progress & Assets held for sale	F		53,947		73,209
			1,668,139		1,758,718
INVESTMENTS	G		1,085,601		857,943
CURRENT ASSETS, LOANS & ADVANCES	H				
a) Inventories		1,161,719		912,182	
b) Sundry Debtors		1,963,307		2,000,512	
c) Cash & Bank Balances		557,023		444,919	
d) Loans & Advances		482,270		342,160	
		4,164,319		3,699,773	
Less : **CURRENT LIABILITIES & PROVISIONS**	I				
a) Current Liabilities		3,263,687		2,614,420	
b) Provisions		242,905		347,014	
		3,506,592		2,961,434	
NET CURRENT ASSETS			657,727		738,339
TOTAL			3,411,467		3,355,000
NOTES ON ACCOUNTS	O				

-

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in 000's)

	Schedule	Current Year		Previous Year	
INCOME					
Sales		**8,952,198**		9,055,707	
Less: excise duty		**713,444**	**8,238,754**	648,377	8,407,330
Other Income	**J**		**36,919**		119,529
on sale of fixed assets			**78**		40
TOTAL			**8,275,751**		8,526,899
EXPENDITURE					
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	**K**		**6,330,884**		6,151,261
Operating and Other Expenses	**L**		**1,482,615**		1,500,623
Interest and Finance Charges					
On Fixed Loans		**127,844**		136,977	
On Other Accounts		**129,734**		88,697	
			257,578		225,674
Loss on sale of fixed assets			**467**		32
Depreciation, Amortisations and Provisions	**M**		**182,471**		175,602
			8,254,015		8,053,192
Less: Expenses Capitalised			**569**		886
TOTAL			**8,253,446**		8,052,306
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS & EXTRAORDINARY ITEMS			**22,305**		474,593
Add:					
Prior period Income/(Expenses) (net)	**N**	**(1,025)**		(2,016)	
Extraordinary income - remission of liability		**-**	**(1,025)**	8,382	6,366
PROFIT BEFORE TAX EXPENSE			**21,280**		480,959
Less : Provision for current tax (including wealth tax)		**227**	**-**	85,031	-
Provision for current tax - previous years		**-**	**-**	20,000	-
			227		105,031
PROFIT ATER TAX EXPENSE			**21,053**		375,928
Add: Profit brought forward from Previous Year			**957,599**		718,453
			978,652		1,094,381
Less:					
Transfer to Debenture Redemption Reserve		**-**		16,466	
Transfer to Capital redemption Reserve		**77,359**		120,316	
			77,359		136,782
Balance of Profit Carried to Balance Sheet			**901,293**		957,599
Earning per Share (Face Value ₹ 10 per share)					
Before considering extraordinary items					
Basic & Diluted			**0.18**		6.95
After considering extraordinary items					
Basic & Diluted			**0.18**		7.09
NOTES ON ACCOUNTS	**O**				

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in 000's)

		Current Year		Previous Year	
A	**CASH FLOW FROM OPERATION ACTIVITIES**				
	NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		**22,305**		474,593
	DEPRECIATION (INCLUDING GOODWILL)	**161,881**		157,944	
	AMORTISTION & PROVISIONS (NET)	**(98,423)**		4,830	
	(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	**389**		(8)	
	EXTAORDINARY/ PRIOR PERIOD ITEMS	**(1,025)**		6,366	
	INTEREST AND DIVIDEND (NET)	**242,528**		211,061	
			305,350		380,193
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**327,655**		854,786
	ADJUSTMENT FOR				
	TRADE & OTHER RECEIVABLES	**(28,173)**		112,400	
	INVENTORIES	**(249,537)**		(175,944)	
	TRADE & OTHER PAYABLES	**643,685**		23,587	
			365,975		(39,957)
			693,630		814,829
	CASH GENERATED FROM OPERATIONS				
	DIRECT TAXES PAID	**(84,037)**		(67,327)	
			(84,037)		(67,327)
	NET CASH FROM OPERATING ACTIVITIES		**609,593**		747,502
B	**CASH FLOW FROM INVESTING ACTIVITIES**				
	PURCHASE OF FIXED ASSETS (INCLUDING CWIP)	**(74,390)**		(211,787)	
	PURCHASE OF INVESTMENTS	**(227,658)**		(189,258)	
	SALE OF FIXED ASSETS	**2,699**		108	
	INTEREST RECEIVED	**18,076**		9,499	
	DIVIDEND RECEIVED	**366**		149	
	NET CASH USED IN INVESTING ACTIVITIES		**(280,907)**		(391,289)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	PROCEEDS FROM TERM BORROWING	**135,867**		250,000	
	REPAYMENT OF TERM BORROWINGS/DEBENTURES/ FINANCE LEASE OBLIGATIONS	**(158,294)**		(495,835)	
	PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	**207,230**		192,405	
	REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	**(72,030)**		(6,720)	
	REPAYMENT OF PREFERENCE SHARE CAPITAL	**(77,359)**		(82,956)	
	DIVIDEND PAID	**-**		(32,349)	
	INTEREST PAID	**(251,996)**		(220,069)	
	NET CASH USED IN FINANCING ACTIVITIES		**(216,582)**		(395,524)
D	**NET INCREASE IN CASH & CASH EQUIVALENTS**		**112,104**		(39,311)
	CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**444,919**		484,230	
	CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	**557,023**		444,919	
			112,104		(39,311)

Cash & Cash Equivalents includes cash and bank balances

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

(₹ in 000's)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of ₹ 100/- each	**300,000**	300,000
60,000,000 Equity Shares of ₹. 10/- each	**600,000**	600,000
TOTAL	**900,000**	**900,000**
Issued, Subscribed and Paid-up :		
773,592 (1,547,182) Preference Shares of ₹ 100/- each	**77,359**	154,718
50,521,367(50,521,367) Equity Shares of ₹ 10/- each	**505,214**	505,214
	582,573	**659,932**

1) Equity Shares include:

a 10,000 Shares of face value of ₹ 0.100 million allotted as fully paid up pu₹uant to a contract without payment being received in cash;

b 6,679,572 Shares of face value of ₹ 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.

c 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conve₹ion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.

d 2,000,000 equity shares of ₹ 10/- each aggregating to ₹ 20 million at a premium of ₹ 20/- each was alloted during the year 2007-08 to the promote₹ group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of teh Companies Act, 1956.

e 6,752,550 shares issued to share holde₹ of Kaytee Switchgear Limited and 10,500,000 shares issued to the shareholde₹ of Kirloskar Power Equipment Limited, as fully paid up pu₹uant to the Scheme of arragement apporved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so alloted includes 6,174,878 equity shares of ₹ 10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.

2) 1,176,746 preference shares of ₹ 100/- each issued to preference shareholde₹ of Kaytee Switchgear Limited as fully paid up pu₹uant to the Scheme of arrangement apporved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash. 429,564 shares of ₹ 100/- each and 373,590 shares of ₹ 100/- each were redeemed during the year 2009 - 2010 and in the current year respectively and the balance shall be redeemed on April 1, 2012

3) 400,000 (previous year 800,000) preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows. These shares shall be redeemed on 30.9.2011

(₹ in 000's)

SCHEDULE "B"	As at 31st March, 2011	As at 31st March, 2010
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	**1,806**	1,806
Revaluation Reserve		
As per last Balance Sheet	**48,041**	48,041
Capital Redemption Reserve		
As per last Balance Sheet	**162,816**	42,500
Add: Transferred from Profit & Loss account	**77,359**	120,316
	240,175	162,816
Debenture Redemption Reserve		
As per last Balance Sheet	**49,400**	32,934
Add: Transferred from Profit & Loss account	**-**	16,466
	49,400	49,400
Reconstruction Reserve Account		
As per last Balance Sheet	**64,167**	64,167
Profit & Loss Account	**901,293**	957,599
Reserve for Doubtful Debts		
As per last Balance Sheet	**9,000**	9,000
TOTAL	**1,313,882**	1,292,829

SCHEDULE "C"		
SECURED LOANS - Refer note 3 of Schedule "O"		
a) From Banks	**955,829**	956,949
b) Finance Lease obligations	**48,168**	67,702
c) Zero coupon debentures	**-**	16,466
TOTAL	**1,003,997**	1,041,117
SCHEDULE "D'		
UNSECURED LOANS		
a) Fixed Deposits	**316,194**	180,994
b) SICOM sales tax loan	**1,119**	1,119
c) From a bank	**36,372**	157,546
d) From companies	**157,330**	21,463
TOTAL	**511,015**	361,122

NOTE :

Fixed Deposits include unclaimed deposits of ₹ 244 (as at March 31, 2010 ₹ 244) and ₹ 2,500 (as at March 31, 2010 ₹ 2,500) from a director of the Company.

Amount falling due for payment within one year is ₹ 252,861 (as at March 31, 2010 ₹ 214,039).

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "E"

FIXED ASSETS

(₹ in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2010	Additions for the year**	Deductions during	As at 31st March 2011	As at 1st April 2010	For the year 2010	Ded-uctions	As at 31st March 2011	As at 31st March 2011	As at 31st March 2010
Tangible Assets										
Own assets										
Land (*)	122,388	-	-	**122,388**	-	-	-	**-**	**122,388**	122,388
Buildings ($)	502,207	3,746	-	**505,953**	104,799	17,968	-	**122,767**	**383,186**	397,408
Plant & Machinery	1,692,501	39,826	1,773	**1,730,554**	865,150	106,344	269	**971,225**	**759,329**	827,351
Furniture & Equipment	130,574	5,768	-	**136,342**	62,965	7,421	-	**70,386**	**65,956**	67,609
Vehicles	36,088	5,709	2,708	**39,089**	17,845	2,551	1,124	**19,272**	**19,817**	18,243
Leased Assets	-	-	-	**-**						
Land (#)	145,199	-	-	**145,199**	-	-	-	**-**	**145,199**	145,199
Plant & Machinery	64,996	38,565	-	**103,561**	16,137	15,849	-	**31,986**	**71,575**	48,859
Leasehold Improvements to buildings	29,377	-	-	**29,377**	2,488	1,047	-	**3,535**	**25,842**	26,889
										-
Intangible assets				**-**						-
Goodwill	42,346	-	-	**42,346**	42,346	-	-	**42,346**	**-**	-
Product development	3,731	-	-	**3,731**	1,244	-	-	**1,244**	**2,487**	2,487
Technical knowhow	11,063	-	-	**11,063**	9,876	1,186	-	11,062	**1**	**1,187**
Software	37,883	38	-	**37,921**	9,994	9,515	-	**19,509**	**18,412**	27,889
TOTAL	**2,818,353**	**93,652**	**4,481**	**2,907,524**	**1,132,844**	**161,881**	**1,393**	**1,293,332**	**1,614,192**	**1,685,509**
Previous Year	2,579,379	239,304	330	2,818,353	975,130	157,944	230	1,132,844		

(*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve ₹ 48,041.

($) Includes ₹ 3,337 being the cost of ownership premises taken in possession for which Society is to be formed.

(#) Land taken on lease from KIADB aggregates to ₹ 6,958. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

($ #) Leasehold land and buildings aggregating to ₹ 157,037 are subject to registration. However, the Company has taken possession of the said property. Provision has been made for estimated stamp duty and registration charges payable. Further, transfer of the said land is subject to approval of Uttar Pradesh State Industrial Development Corporation.

SCHEDULE "F"

(₹ in 000's)

	As at 31st March 2011	As at 31st March 2010
CAPITAL WORK IN PROGRESS		
a. Capital Work In Progress:		
1 Plant & Machinery taken on finance lease	**-**	38,565
2 Buildings	**20,382**	1,079
	20,382	39,644
b. Assets Held for Sale: (Refer note 24 of Schedule 'O')		
Plant & Machinery Held for sale	**33,565**	33,565
(Net of Provision of Rs.7,791 (as at March 31, 2010 Rs.7,841))		
TOTAL:	**53,947**	**73,209**

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "G"

(₹ in 000's)

Details of Investment	Name of the Company	Nos	Face Value ₹	As at 31st March 2011 ₹	As at 31st March 2010 ₹
INVESTMENTS (AT COST)					
{LONG TERM}					
TRADE : (i)	**Equity Shares - Fully Paid-up**				
	ICICI Ltd., (on merger of Sangli Bank Limited)	1,081	10	**100**	100
	Kirloskar Computer Services Ltd.,	200,000	10	**-**	-
	The Mysore Kirloskar Ltd.,	770,750	10	**-**	-
(ii)	**Debentures - Fully Paid-up**				
	The Mysore Kirloskar Ltd., @	30,000	44	**-**	-
(b) Unquoted :					
(i)	**Equity Shares - Fully Paid-up**				
	In Subsidiary Company :				
	Kirsons BV Pte Ltd #	1,353	€ 100	**1,077,806**	842,962
		(1,059)	€ 100	-	
	KEC North America Inc *	210	-	**12,936**	12,936
	In Other Companies :				
	Kirloskar Proprietary Ltd.,	26	100	**128**	128
	Kirloskar (Malaysia) Sdn. Bhd,				-
	Kuala Lumpur, Malaysia	300,000	MR1	**529**	529
	(Includes 100,000 bonus shares)				
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh 1000	**852**	852
	Kirsons Trading Pte. Ltd	56,250	S $ 1	**1,120**	1,120
	Kirloskar Power Equipment Ltd.,	340,000	10	**2,817**	2,817
				1,096,288	861,444
	Less:				
	Provision for diminution in value of Investments			**12,936**	12,936
				1,083,352	848,508
	Add:				
	Share application money pending allotment in Kirsons BV			**2,249**	9,435
	TOTAL:			**1,085,601**	857,943

@ Matured and due for payment.

Pledged to Morgan Walker Solicitors LLP, London

* The Company has been dissolved. However, the investment has not been written off since no approvals from Reserve Bank of Inda has been obtained. However, full provision has been made for the same.

NOTES :	**₹ in 000's**	₹ in 000's
1) Aggregate value of quoted investments		
Cost	100	100
Market Value	1,203	1,036
2) Aggregate value of unquoted investments		
Cost	1,096,188	861,344

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "H"

(₹ in 000's)

	As at 31st Mar 2011		As at 31st March 2010	
CURRENT ASSETS, LOANS & ADVANCES				
A. Current Assets				
1. Inventories				
i. Raw Materials,stores,spares parts,components etc.,	**367,352**		214,530	
ii. Stock in trade				
Finished goods (including trading stocks)	**151,950**		166,598	
Process stock	**630,187**		510,197	
iii. Others-Including material at port and scrap	**12,230**		20,857	
		1,161,719		912,182
2. Sundry Debtors - (Unsecured)				
i. Debts outstanding for a period exceeding six months				
a) Considered good	**581,291**		472,121	
b) Considered doubtful	**116,533**		150,194	
ii. Other debts (Considered good)	**1,382,016**		1,528,391	
		2,079,840		2,150,706
Less : Provision for doubtful debts		**116,533**		150,194
		1,963,307		2,000,512
3. Cash and Bank Balances				
a. Cash on hand	**87**		466	
b. Amount in transit/ Cheques on hand	**900**		6,570	
c. Balances with scheduled banks				
- On current accounts	**258,597**		173,349	
- On short term deposit accounts	**280,900**		251,792	
d. Balances with other banks: - refer note 4 of schedule "O"				
- On current accounts	**6,306**		2,463	
- On short term deposit accounts	**10,233**		10,279	
		557,023		444,919
B. Loans and Advances (Unsecured, Considered good unless otherwise stated):				
Advances recoverable in cash or in kind orfor value to be received				
i) Sundry Advances & Deposits				
a) Considered good	**391,189**		303,290	
b) Considered doubtful	**85,032**		121,514	
	476,221		424,804	
Less : Provision for doubtful advances	**85,032**		121,514	
	391,189		303,290	
ii) Central excise deposits	**83,100**		38,870	
iii) Advance payment of tax - including FBT & Wealth tax (net of provision)	**7,981**	-		
		482,270		342,160
TOTAL:		**4,164,319**		3,699,773

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "I"

(₹ in 000's)

		As at 31st Mar 2011		As at 31st March 2010	
	CURRENT LIABILITIES & PROVISIONS				
A.	**Current Liabilities**				
	Sundry Creditors				
	- Micro, Small and Medium Enterprises-refer note 20 of Schedule "O"	**21,648**		5,990	
	- Others	**1,966,205**		1,903,754	
	Acceptances	**509,218**		191,708	
	Trade Advances	**652,164**		454,885	
	Other liabilities (@)	**103,253**		52,466	
	Interest accrued but not due on loans and deposits	**11,199**		5,617	
			3,263,687		2,614,420
B.	**Provisions**				
	For Taxation (Net of advance tax)	**-**		75,829	
	For Earned leave encashment	**38,798**		42,469	
	For Wage arrears	**-**		7,000	
	For Stamp duty	**65,958**		72,036	
	For Gratuity	**93,908**		106,680	
	For Warranties	**44,241**		43,000	
			242,905		347,014
	TOTAL:		**3,506,592**		**2,961,434**

(@) Includes ₹ 0.309 million due to Directors (Previous year ₹ 0.309 million).

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "J"

(₹ in 000's)

		Current Year		Previous Year
OTHER INCOME				
Interest (Gross):				
From banks on deposits	**11,922**		13,683	
From others	**2,762**		781	
(Tax deducted at source ₹ 910, (previous year ₹ 250))		**14,684**		14,464
Dividend from long term Investments : Trade		**366**		149
Rent received (Gross)		**5,106**		4,020
(Tax deducted at source ₹ 540, (previous year ₹ 540))				
(₹ In 000's)				
Miscellaneous*		**16,763**		100,896
TOTAL:		**36,919**		119,529

* Includes provision no longer required ₹ 3,972 (₹ 79,520), Provision for non moving inventory withdrawn ₹ Nil million (₹ 9,110) and Provision for doubtful advances withdrawn ₹ Nil million (₹ 10,000) (₹ in 000's).

SCHEDULE "K"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components*	**6,281,150**		6,111,480	
Purchases for Trading	**154,177**		136,630	
		6,435,327		6,248,110
Deduct : Increase in stocks				
Stocks at Close				
Process stocks	**630,187**		510,197	
Trading and finished goods	**151,950**		166,598	
Scrap	**342**		1,241	
	782,479		678,036	
Less : Stocks at commencement				
Process stocks	**510,197**		414,455	
Trading and finished goods	**166,598**		165,778	
Scrap	**1,241**		954	
	678,036		581,187	
		(104,443)		(96,849)
		6,330,884		6,151,261

* Value of stores and spares not separately ascertained

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "L"

(₹ in 000's)

	Current Year		Previous Year	
OPERATING & OTHER EXPENSES				
Power & Fuel		**86,027**		87,172
Expenses relating to Employees :				
Salaries, Wages & Bonus - refer note 27 of Schedule 'O'	**600,010**		595,882	
Contribution to Employees PF, Family Pension Scheme and Superannuation Funds	**46,768**		41,730	
Gratuity as per actuarial valuation	**32,661**		33,802	
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges)	**80,286**		82,593	
		759,725		754,007
Rent		**68,795**		71,567
Repairs				
Buildings	**5,903**		11,920	
Machinery	**27,941**		27,192	
Others	**19,021**		58,543	
		52,865		97,655
Selling Expenses		**158,318**		150,935
Commission		**6,267**		9,806
Cash Discount		**8,972**		3,173
Additional Sales Tax		**-**		5,180
Maintenance of Vehicles		**2,842**		2,613
Insurance		**3,425**		3,473
Rates and Taxes		**10,268**		8,309
Advertisement		**6,492**		6,719
Printing & Stationery		**8,176**		9,399
Travelling Expenses		**84,048**		74,107
Postage, Telegrams and Telephones		**16,742**		17,271
Auditors Remuneration		**6,171**		6,370
Tech. Consultancy & Professional Charges		**92,158**		65,659
Bank Charges (includes exchange fluctuation difference of ₹ 3,530 Cr.		-		
previous year ₹ 3,440 Dr.)		**61,157**		78,477
Subscription to technical associations,				
General Expenses		**23,925**		18,608
Journals and Magazines		**1,571**		1,306
Donations		**5**		5
Directors' sitting fees		**901**		319
Remuneration to whole-time directors		**23,765**		28,411
Bad debts & disallowance written off	**48,661**		13,047	
Less : Provision for doubtful debts withdrawn	**48,661**		12,965	
		-		82
Advances written off	**36,482**		8,157	
Less : Provision for doubtful advances withdrawn	**36,482**		8,157	
		-		-
Investments written off	**-**		29,960	
Less : Provision for diminution in value of Investments withdrawn	**-**		29,960	
	-		-	
Uninstalled machinery written off	**50**		48,134	
Less : Provision for uninstalled machinery withdrawn	**50**		48,134	
		-		-
		1,482,615		1,500,623

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "M"

(₹ in 000's)

		Current Year	Previous Year
DEPRECIATION, AMORTISATION AND PROVISIONS			
1	Depreciation	**161,881**	153,604
2	Doubtful debts	**15,000**	20,000
3	Doubtful advances/ uninstalled machinery	**-**	5,000
4	Warranty claim	**5,590**	(3,002)
		182,471	175,602

SCHEDULE "N"

(₹ in 000's)

		Current Year	Previous Year
PRIOR PERIOD INCOME (EXPENSES)			
1	Depreciation	**-**	(4,340)
2	Bonus provision withdrawn	**-**	431
3	Finance Lease adjustment	**-**	1,893
4	Others	**(1,025)**	-
		(1,025)	(2,016)

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. 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.

1.2 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.

(iii) Assets Held for Sale:

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

1.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.4 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued on first in first out basis/ 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 based on the weighted average/ average price/ latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

1.5 DEPRECIATION:

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

b) In respect of other 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.

c) 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 quarter of addition. Furniture and fixtures whose cost is ₹ 5,000/- or below are fully depreciated in the year of addition.

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

e) Depreciation on software is provided at 33.33% per annum.

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

g) 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 quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹ 5,000/- is depreciated fully. However, in certain units where SAP ERP software has been implemented depreciation has been provided on monthly prorata basis.

1.6 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account 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.

1.7 REVENUE RECOGNITION:

a) Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

b) Interest income is recognized on time proportion basis.

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

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

1.8 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 & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is 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 gain and losses are recognized immediately in the statement of profit and loss account 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 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 of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

1.9 FOREIGN CURRENCY TRANSACTIONS:

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

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 profit and loss account.

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

d) In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

1.10 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.

1.11 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 Profit & Loss Account.

1.12 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.

1.13 PROVISIONS & 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.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ in 000's)

2 (a)	**CONTINGENT LIABILITIES:**	**As at 31.03.2011**	As at 31.03.2010
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	**1,240,929**	1,507,553
ii)	Bills discounted with bank	**261,512**	200,425
iii)	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	**6,209**	12,158
iv)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 70,194 against the demand which has been included in Loans & advances under schedule "H (B)".	**212,194**	212,544
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to ₹ 12,944 (as at March 31, 2010 ₹ 12,944)	**256,491**	241,532
vi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 20,000 (as at March 31, 2010 ₹ 20,000) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 20,000 along with dividends in arrears of ₹ 20,560 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 to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	**40,560**	40,560
vii)	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.	**Not Ascertainable**	Not Ascertainable
viii)	Interest if any, on account of delays in payment to suppliers not ascertainable.	**Not Ascertainable**	Not Ascertainable
ix)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
x)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**Amount not Ascertainable**	Amount not Ascertainable
xi)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2011 (as at March 31, 2010 for the period from April 1, 2004 to March 31, 2010) (including tax thereon).	**107,174**	95,643
xii)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 4,618 paid has been included in loans and advances	**9,154**	9,154
xiii)	Guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) 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.	**803,125**	932,147
xiv)	Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slowdown.	**Not Ascertained**	Not Ascertained
xv)	Income tax demands under appeal	**9,307**	Nil
xvi)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	**4,599**	Nil

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.

(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	**104,787**	44,943

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ in 000's)

		As at 31.03.2011	As at 31.03.2010
3.	**SECURED LOANS:**		
A	Loans and Advances from banks & financial institutions :		
i)	Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	**99**	39,776
ii)	Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	**896,988**	841,784
iii)	Against pledge of fixed deposits	**58,378**	74,828
iv)	Against security of Motor Cars	**364**	561
v)	Against assets purchased on finance lease	**48,168**	67,702
B)	Loans and Advances from Financial Institutions :		
	Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) & (iii) above.	**Nil**	16,466
4.	**Balances with Foreign banks :**		
i)	With Bank of Commerce (M) Bhd., Kuala Lumpur :		
	On Short term deposits	**10,233 RM 884**	10,279 RM 879
	Maximum Balance at any time during the year	**10,233 RM 884**	10,279 RM 879
ii)	With Bank of Commerce (M) Bhd., Kuala Lumpur:		
	On Current Accounts	**153 RM 13**	- RM Nil
	Maximum Balance at any time during the year	**153 RM 13**	198 RM 15
iii)	With HSBC Bank, Dubai		
	On Current Accounts	**110 AED 9**	526 AED 43
	Maximum balance at any time during the year	**526 AED 43**	526 AED 43
iv)	With HSBC Bank, Dubai		
	On Current Account	**6,043 $ 136**	1,937 $ 43
	Maximum balance at any time during the year	**6,043 $ 136**	1,937 $ 43
5.	**Nonresident shareholding**		
	Number of non-resident shareholders	**361**	359
	Number of Equity Shareholdings	**1,983,270**	132,794
6.	**Earning in Foreign Exchange**		
i)	F.O.B. value of exports (Net) (inclusive of sales within India eligible for export incentives)	**641,196**	560,156
ii)	Remittances from overseas offices (Net)	**23,983**	53,383
iii)	Dividends received	**352**	137
iv)	Professional services rendered	**3,918**	5,012
7.	**Value of Imports calculated on CIF basis:**		
i)	Raw materials	**406,151**	325,375
ii)	Components and spare parts	**250,481**	232,839
iii)	Capital items	**3,370**	Nil

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ in 00's)

		As at 31.03.2011	As at 31.03.2010
8.	**Expenditure in foreign currency during the financial year :**		
	a) Professional & Consultancy fee	**3,837**	13,365
	b) Travel	**12,680**	15,294
	c) Investments in wholly owned subsidiary (including share application money pending allotment)	**222,459**	189,258
9.	**Expenditure on Research and Development during the year:**		
	Revenue	**5,622**	4,935
10.	**Remuneration to Auditors:**		
a)	IN INDIA		
i)	for Audit	**2,500**	2,500
ii)	for Taxation matters / tax audit (including VAT audit)	**1,500**	2,000
iii)	for Certification work etc.	**500**	775
iv)	for Limited Review & management services	**1,500**	925
v)	Cost audit fees	**150**	150
b)	IN MALAYSIA		
i)	for Audit	**12**	12
ii)	for Taxation matters	**9**	8
	Total	**6,171**	6,370

Excludes out of pocket expenses of ₹ 590 (Previous year ₹ 420).

11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption:

₹ (000's)

	Current Year		Previous year	
Value of imported raw materials, stores, spare parts & components consumed	**10.57%**	**664,057**	9.97%	609,545
Value of indigenous raw materials, stores, spare parts & components consumed	**89.43%**	**5,617,093**	90.03%	5,501,935
	100.00%	**6,281,150**	100.00%	6,111,480

12. Consumption of major raw materials and components during the year:

₹ (000's)

		Current Year		Previous year	
	Unit	**Quantity**	**Value**	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc)	MT	**3,275**	**1,411,846**	3,514	1,185,324
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	**9,653**	**1,001,282**	9,491	1,045,644
3. Others	(*)		**3,868,022**	(*)	3,880,512
Total			**6,281,150**		6,111,480

Notes:

1. In the presentation of data, necessary adjustments have been made for normal shortages and excesses in stock including process losses during conversion of raw material.
2. (*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.
3 Above data is as certified by the management

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

13. Capacities and Production:

Item No.	Class of Goods		Capacities		
			Licensed	**Installed@**	**Production**
1.	Motors/ Alternators/ Generators	MW	2,806*	2,806*	**1,933** (2,198)
2.	FHP Motors	Nos.	Not ascertained	Not ascertained	**6,859** (12,900)
3.	Engines	Nos.	Not ascertained	Not ascertained	**3,003** (2,793)
4.	Transformers	Kva	2,060,000	2,060,000	**4,725,735#** (4,849,015)
5.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	Nil
6.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	**1,232** (897)
7.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	Nil
8.	Vertical Mechanical Comparator, Sigma size Electronic Gauging Indicator, Sigma flash electronic column gauges, Sigmaster fixturing systems.	Nos.	1,400	200	Nil
9.	Micro and Mini Computers	Rs. In million	100*	80	Nil
10.	Industrial Electronic Voltage Regulators	Nos.	20,000	8, 000	**675** (848)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	**468** (582)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	**Nil** (2)
14.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil
15.	Alternators	Nos.	191,500	78,000	Nil
16.	D.G. Sets	Nos.			**2,944** (2,738)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	$		**680** (800)
18	Electricity generated using wind energy	Units			**Nil** (12,500)

Notes:

1. (**) Registered with DGTD (*) on maximum utilization (+) On single shift.
2. There is no change in installed capacity as compared to the previous year.
3. (@) As certified by the Managing Director and relied upon by auditors.
4. $ Standing in the name of Kirloskar Systems Ltd., whose switchgear business was taken over by the Company in a prior year.
5. * As per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt. December 1, 2004
6. # Includes production at subcontractors facility.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

14. Opening and closing Stocks of finished & trading goods:

Item No.	Class of Goods	Opening Stocks		Closing Stocks	
		Qty. Nos.	Value ₹ In 000's	Qty. Nos.	Value ₹ In 000's
1.	Motors/ Alternators/ Generators	**1,449**	**97,829**	**2,085**	**79,829**
		(1,438)	(68,550)	(1,449)	(97,829)
2.	Transformers	**35**	**43,805**	**51**	**58,679**
		(29)	(74,174)	(35)	(43,805)
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	**27** (3)	**685** (189)	**2** (27)	**224** (685)
4.	Uninterruptible Power Systems	**15**	**422**	**2**	**420**
		(26)	(688)	(15)	(422)
5.	Switchgears	**23**	**1,212**	**-**	**-**
		(-)	(-)	(23)	(1,212)
6.	D G Sets	**8**	**1,480**	**17**	**5,996**
		(5)	(1,970)	(8)	(1,480)
7.	Others		**21,165**		**6,802**
			(20,207)		(21,165)
	TOTAL		**166,598**		**151,950**
			(165,778)		(166,598)

15. Details of Sale of Manufactured / Trading goods during the year:

Item No.	Class of Goods	Turnover of Finished Goods			
		Current Year		Previous Year	
		Qty. Nos.	**Value ₹ In 000's**	Qty. Nos.	Value ₹ In 000's
1.	Motors/ Alternators/ Generators	**118,209**	**3,414,311**	94,943	3,682,002
2.	Transformers	**2,756**	**2,981,323**	2,287	3,168,845
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	**1,257**	**134,245**	873	105,758
4.	Uninterruptible Power Systems	**481**	**35,972**	593	25,419
5.	Metal Cutting including Grinding Machines	**Nil**	**Nil**	Nil	Nil
6.	Machine tool accessories including digital readouts	**-**	**-**	2	29
7.	Industrial Electronic Voltage Regulators	**675**	**Nil**	848	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	**703**	**269,137**	777	309,880
9.	D G Sets	**2,935**	**1,107,918**	2,735	891,127
10.	Electricity (in Units)	**Nil**	**Nil**	12,500	54
11.	Engines	**3003**	**Nil**	2,793	Nil
12.	Others		**1,009,292**		872,593
	TOTAL		**8,952,198**		9,055,707

NOTE: Quantity in numbers includes transfers to divisions for further manufacture of and free replacements.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

16. Details of Purchases of Trading goods during the year:

	Current Year		Previous year	
	Qty. Nos.	**Value ₹ in 000s**	Qty. Nos.	Value ₹ in 000's
1. Miscellaneous items	**(*)**	**154,177**	(*)	136,630
TOTAL		**154,177**		136,630

(*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.

17. 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 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 assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 58,922 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.

c. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

18. 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.

19. Current assets, loans and advances include

a. ₹ 28,412 (as at March 31, 2010 ₹ 33,015) due from private limited companies in which directors are interested.

b. ₹ 1,833 (as at March 31, 2010 ₹ 6,358) due from a wholly owned subsidiary of the Company.

20. The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

(₹ in 000's)

Sl No	**Particulars**	**As at March 31, 2011**	**As at March 31, 2010**
1.	Principal amount due and remaining unpaid	**21,648**	4,562
2.	Interest due on (1) above and the unpaid interest	**Not Ascertained**	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	**Not Ascertained**	Not Ascertained
5.	Interest due and payable for the period of delay other than (3) above	**Nil**	Nil
6.	Interest accrued and remaining unpaid	**Nil**	Nil
7.	Amount of further interest remaining due and payable in succeeding years.	**Not Ascertained**	Not Ascertained

21. a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding as at March 31, 2011 for more than 2 years of ₹180,346, the Company holds a provision of ₹116,533. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.

b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹52,879 has been included in Current assets, Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

22. a. The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.

b. The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be uniform across units and refined/improved to bring it in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

23. a. During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2011 have been based on moving weighted average and labor/ overheads absorption methods configured in the said system as against other cost basis used in the previous year. Effect of such change on the revenue for the year is not ascertained.

b. Depreciation on additions has been calculated on monthly prorate basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

24 Assets held for sale has been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.

25. a) Current Assets, Loans & Advances include ₹23,692 (as at March 31, 2010 ₹22,718) being rescheduled advances from certain other Companies.

b) The above companies have incurred losses and their net worth is partially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

26. Remuneration to Managing Director & other whole time directors:

b) The above companies have incurred losses and their net worth are partially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

₹ in 000's

Particulars	Current Year	Previous year
a) Managing Director		
Salary & Perquisites	**10,800**	16,463
Contribution to Provident& Other Funds	**2,916**	4,445
TOTAL	**13,716**	20,908
b) Joint Managing Director		
Salary & Perquisites	**3,704**	5,912
Contribution to Provident & Other Funds	**772**	1,591
Gratuity paid	**1,697**	
TOTAL	**6,173**	7,503
c) Deputy Managing Director		
Salary & Perquisites	**3,216**	-
Contribution to Provident & Other Funds	**660**	-
TOTAL	**3,876**	-
GRAND TOTAL	**23,765**	28,411

Liability in respect of accrued gratuity & leave encashment to Managing Director and Deputy Managing Director are not ascertainable separately. Remuneration to Joint managing director includes gratuity and leave encashment paid during the year. In addition, all the directors referred to above are entitled to free use of Company car and communication facilities.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the whole time directors of the Company.

The appointment of Mr. Anuj Patnaik as Deputy Managing Director from September 23, 2010 and the remuneration paid/provided amounting to ₹ 3,876 is subject to the approval of the members of the Company.

The members of the Company have approved payment of higher remuneration to the Chairman and Managing Director amounting to ₹ 2,000 per month plus benefits and perquisites with effect from August 17, 2010. Pending reconsideration of the approval granted, no provision has been made in the financial statements for differential remuneration payable estimated at ₹ 10,455.

27. Salaries, wages & bonus includes ₹ Nil (previous year ₹ 22,193) amount paid towards voluntary retirement scheme at certain units during the year.

28. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

₹ in 000's

	Current Year	Previous year
Employer's Contribution to Provident Fund & Pension Scheme	**35,329**	35,070
Employer's Contribution to Superannuation Fund	**11,395**	12,696

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

Defined Benefit Plan:

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

₹ in 000's

	Current Year		Previous year	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	**225,643**	**42,469**	210,190	38,747
Current Service Cost	**11,913**	**7,650**	9,971	7,431
Interest Cost	**16,502**	**3,009**	14,672	2,603
Additional provision for increase in limit of gratuity/ in excess of limit	**18,138**	**-**	14,139	-
Actuarial (gain)/ loss	**(1,812)**	**(3,709)**	5,071	99
Benefits Paid	**(22,681)**	**(6,211)**	(28,400)	(6,411)
Defined Benefit obligation at end of the year	**247,703**	**43,208**	225,643*	42,469
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**118,963**	**-**	99,706	
Expected return on plan assets	**12,236**	**206**	9,725	
Employer Contribution	**45,433**	**4,387**	38,258	
Benefits paid	**(22,681)**	**-**	(28,400)	
Actuarial gain/(loss)	**(156)**	**(183)**	(326)	
Fair value of plan assets at year end	**153,795**	**4,410**	118,963	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**153,795**	**4,410**	118,963	-
Present value of obligation	**247,703**	**43,208**	225,643*	42,469
Amount recognized in Balance Sheet under liabilities:	**93,908**	**38,798**	106,680	42,469
4. Expense recognized during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	**11,913**	**7,650**	9,971	7,431
Interest Cost	**16,502**	**3,009**	14,672	2,603
Expected return on plan assets	**(12,236)**	**(206)**	(9,725)	-
Additional provision for increase in limit of gratuity/ in excess of limit	**18,138**	**-**	14,139	
Actuarial (gain)/ loss	**(1,656)**	**(3,526)**	4,745	99
Net Cost	**32,661**	**6,927**	33,802*	10,133
5 Actuarial assumptions:				
Mortality Table (LIC)	**1994 – 96 (Ultimate)**	**1994 – 96 (Ultimate)**	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	**7.70%**	**7.70%**	7.70%	7.70%
Expected rate of return on plan assets (per annum)	**9.25% to 9.40%**	**9.40%**	**9.25% to 9.40%**	Nil
Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

*Based on the notification dated May 18, 2010 issued by the Government of India, enhancing the maximum limit of gratuity payable to employees, the Company has provided an additional liability amounting to ₹14,139 .

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.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

29. Segment Reporting:

The Company has not furnished segment report since same has been furnished in the Consolidated financial statements, as referred in para 4 of accounting standard 17 issued by Central Government.

30. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Kirsons BV	Subsidiary (Wholly owned)
2	Lloyd Dynamowerke GmbH & Co. KG (LDW) Lloyd Beteiligungs GmbH	Step down Subsidiaries
3	Mr. Vijay R Kirloskar Mr. P S Malik (upto October 11, 2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (from September 23, 2010)	Key management personnel and their Relatives.
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
5	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS: **₹ in 000's**

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates and joint ventures	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	**Nil** (Nil)	**2,675** (13,388)	**Nil** (Nil)	**Nil** (Nil)	**23,613 *** (47,749)
Sale of goods/fixed assets/ services	**3,918** (5,012)	**2,458** (2,846)	**Nil** (Nil)	**25,986#** (17,134)	**5,486 ^** (10,536)
Purchase of Motor vehicles from Ravindu Motors Pvt Ltd	**Nil**	**Nil**	**Nil**	**Nil**	**4,514** (1,999)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	**Nil**	**Nil**	**Nil**	**Nil**	**Nil** (150,000)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	**Nil**	**Nil**	**Nil**	**Nil**	**5,233** (Nil)
Rent received from Ravindu Motors Private Limited	**Nil**	**Nil**	**Nil**	**Nil**	**2,400** (2,647)
Dividend received	**Nil**	**Nil**	**Nil**	**Nil #** (137)	**Nil** (Nil)

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

₹ in 000's

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates and joint ventures	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Rent paid	**Nil**	**Nil**	**1,595!** (1,600)	**Nil**	**39,687 ##** (41,622)
Investments as at March 31, 2011	**1,077,806$$$** (842,962)	**-Nil**	**Nil**	**529 +** (529)	**2,817++** (2,817)
Investments made during the year	**225,392** (189,258)	**Nil**	**Nil**	**Nil**	**Nil**
Share application money pending allotment	**2,249** (9,435)	**Nil**	**Nil**	**Nil**	**Nil**
Investments written off during the year	**Nil**	**Nil**	**Nil**	**Nil @@** (5,000)	**Nil @@** (2,380)
Irrecoverable advances written off during the year	**Nil**	**Nil**	**Nil**	**Nil**	**32,246 $** (Nil)
Provision for doubtful advances as at March 31, 2011	**Nil**	**Nil**	**Nil**	**Nil**	**Nil$** (32,246)
Amount due to Company as at March 31, 2011	**1,833** (6,358)	**Nil**	**Nil !** (2,700)	**4,394#** (9,712)	**59,456!!** (92,695)
Amount due from Company as at March 31, 2011	**Nil**	**13,405** (10,539)	**Nil** (Nil)	**Nil**	**6,746 $$** (21,231)
Remuneration paid	**Nil**	**Nil**	**24,638 ^^^** (29,979)	**Nil**	**Nil**
Fixed deposit accepted from Rukmini Kirloskar	**Nil**	**Nil**	**1,000** (Nil)	**Nil**	**Nil**
Fixed deposit outstanding as at March 31, 2011	**Nil**	**Nil**	**3,500**** (2,500)	**Nil**	**Nil**
Interest on fixed deposit paid to Meena Kirloskar	**Nil**	**Nil**	**423 ***** (65)	**Nil**	**Nil**
Redemption of Preference Shares to Abhiman Trading Company	**Nil**	**Nil**	**Nil**	**Nil**	**467** (467)
Guarantees given by the Company and outstanding at the end of the year.	**848,125** (932,147)	**Nil**	**Nil**	**Nil**	**Nil** (Nil)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	**Nil**	**Nil**	**897,087** (881,560)	**Nil**	**Nil**

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.

***Includes Purchases of goods/ services from Kirloskar Batteries Private Limited ₹ 4,771 (previous year ₹ 26,641), Vijay Farms Limited ₹ 6,371 (Previous year ₹ 5,918), Sri Vijaydurga Investments and Agencies Private Limited ₹ 8,646 (Previous year ₹ 9,595), Vijay Jyothi Investments and Agencies Private Limited ₹ 284 (Previous year ₹ 68) and Abhiman Trading Company Limited ₹ 3,541 (Previous year ₹ 5,527).

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Batteries Private Limited ₹ Nil (Previous year ₹ 9,449) and Ravindu Toyota Private Limited ₹ 5,486 (Previous year ₹ 1,087).

Includes rent paid to Kirloskar Power Equipment Limited ₹ 22,200 (Previous year ₹ 21,600), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 15,600 (Previous year ₹ 15,600), Sri Vijaydurga Investments and Agencies Private Limited ₹ Nil (Previous year ₹ 1,800) and Kirloskar Batteries Pvt Ltd ₹ 1,887 (Previous year ₹ 2,622).

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

+ Investments in Kirloskar (Malaysia) Sdn Bhd. ₹ 529 (as at March 31, 2010 ₹ 529).

++ Investments in Kirloskar Power Equipments Limited ₹ 2,817(as at March 31, 2010 ₹ 2,817)

$$ Represents due to Kirloskar Batteries Private Limited.

@@ Represents KEASI Robican Industrial Systems Limited ₹ Nil (Previous year ₹ 5,000) and Kirloskar Computer Services Limited ₹ Nil (Previous year ₹ 2,380).

$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipment Limited ₹ 31,246 (as at March 31, 2010 ₹ 27,630), Kirloskar Computer Services Limited ₹ Nil (as at March 31, 2010 ₹ 32,246), Vijay Farms Limited ₹ 17,848 (as at March 31, 2010 ₹ 17,707), Vijay Jyothi Investments and Agencies Private Limited ₹ 4,410 (as at March 31, 2010 ₹ 10,480), Abhiman Trading Company Limited ₹ 3,405 (as at March 31, 2010 ₹ 3,607), Vijay Keerthi Investment and Agencies Private Limited ₹ Nil (as at March 31, 2010 ₹ 60),Vijaydurga Investments and Agencies Pvt Ltd ₹ 2,439 (as at March 31, 2010 ₹ 865) and Ravindu Motors Private Limited ₹ 108 (as at March 31, 2010 ₹ 100).

! Represents due from Meena Kirloskar

****** Represents deposits accepted from Meena Kirloskar ₹ 2,500 (Previous year ₹ 2,500) and Rukmini Kirloskar ₹ 1,000 (Previous Year ₹ Nil)

******* Represents interest paid to Meena Kirloskar ₹ 379 (Previous year ₹ 65) and Rukmini Kirloskar ₹ 54 (Previous year ₹ Nil)

$$$ Includes expenses incurred in connection of acquisition of subsidiary ₹ 88,249.

^^^ Includes paid to Vijay R Kirloskar ₹ 13,716 (Previous year ₹ 20,908), P S Malik ₹ 6,173 (Previous year ₹ 7,503), Anuj Pattanaik ₹ 3,876 (Previous year Nil) Meena Kirloskar ₹ 73 (Previous year ₹ 25), Janaki Kirloskar ₹ 240 (Previous year ₹ 1,007) and Rukmini Kirloskar ₹ 560 (Previous year ₹ 536).

31. Finance Leases:

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

₹ in 000's

Particulars	**Total minimum lease payments outstanding as at 31.03.2011**	**Future interest on outstanding Lease Payments**	**Present value of minimum lease payments as at 31.03.2011**
Within One year	**26,255** (26,255)	**4,801** (7,347)	**21,454** (18,908)
Later than one year but not later than five years	**28,885** (56,998)	**2,171** (8,204)	**26,714** (48,794)
TOTAL	**55,140** (83,253)	**6,972** (15,551)	**48,168** (67,702)

32. 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 ₹ 69,380 (₹ 71,567).

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

33. Earnings per share:

₹ **(000's)**

PARTICULARS	**Current Year**	Previous Year
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	**21,053**	375,928
Less:		
Preference Dividend including dividend tax	**12,055**	17,733
	8,998	358,195
Weighted No. of Equity Shares for Basic EPS	**50,521,367**	50,521,367
Basic EPS (Rs.)	**0.18**	7.09
Before extraordinary items		
Profit for the year after tax expense	**21,053**	375,928
Less: extraordinary item (net of tax)	**-**	6,957
	21,053	368,971
Less:		
Preference Dividend including dividend tax	**12,055**	17,733
	8,998	351,238
Weighted No. of Equity Shares for Basic EPS	**50,521,367**	50,521,367
Basic EPS (₹)	**0.18**	6.95

34. DETAILS OF DEFERRED TAX LIABILITY ₹ **in 000's**

	As at 31.03.2011	As at 31.03.2010
Liability relating to value of fixed assets	**204,303**	222,359
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961(recognized only to the extent of net liability)	**204,303**	222,359
Net amount	**Nil**	Nil

35. The Company has made provisions towards wage arrears, warranty claims from the customers towards sales, and stamp duty payable the details of the same are as under:

₹ **in 000's**

Particulars	**Wage Arrears**	**Stamp Duty**	**Warranty Claims**
Balance outstanding at the beginning of the year	**7,000** (-)	**72,036** (65,000)	**43,000** (46,002)
Provision for the year (net)	**-7,000** (7,000)	**-6,078** (7,036)	**1,241** (-3,002)
Balance outstanding at the end of the year	**-** (7,000)	**65,958** (72,036)	**44,241** (43,000)

36. The Company has entered into forward contracts outstanding as on March 31, 2011 for Euro 250,000 to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2011 are as under:

₹ **in 000's**

Particulars	**As at 31.03.2011**	As at 31.03.2010
Assets (Receivables)	**40,979**	31,585
Liabilities (Payables)	**44,111**	22,189

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

37. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated December 23, 1978. Figures in Schedule 'O' are in ₹ 000's unless otherwise stated.

38. Previous year figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets represents previous year figures.

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO. Chartered Accountants	**VIJAY R KIRLOSKAR** Chairman & Managing Director	**ANUJ PATTANAIK** Deputy Managing Director
CA SHYAM RAMADHYANI Partner	**P Y MAHAJAN** Associate Vice President & Company Secretary	**CA. VINAYAK N BAPAT** Vice President & Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

Statement Pursuant to Part of IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile:

I. REGISTRATION DETAILS

Registration No	C 415 / 46 - 47	State Code	08
Balance Sheet Date	31 - 03 - 2011		

II. CAPITAL RAISED DURING THE YEAR (Rupees in Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement (Including premium)	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rupees in Thousands)

Total Liabilities	3411467	Total Assets	3411467

Sources of Funds

Paid up Capital	582573	Reserves & Surplus	1313882
Secured Loans	1003997	Unsecured Loans	511015

Application of Funds

Net Fixed Assets	1614192	Capital Work In Progress	53947
Investments	1085601	Net Current Assets	657727

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income	8275751	Total Expenditure	8253446
Profit before Tax	22305	Profit after Tax	21053
Earning per share in Rs. (After Tax)	0.18	Dividend rate %	Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code)	85.01
Product Description	ELECTRIC MOTORS
Item Code No. (ITC Code)	85.01
Product Description	AC MACHINES
Item Code No. (ITC Code)	85.01
Product Description	DC MACHINES

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore
Date : May 28, 2011

Consolidated
Financial Statements 2010-11

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company"), its subsidiaries and other consolidating entities (collectively referred as "the KEC group") as at March 31,2011, the consolidated Profit and Loss Account of the KEC group 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 group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.

3 a. We have not audited the financial statements of the subsidiaries, whose financial statements reflect total assets of `3,019.83 million (March 31, 2010 ` 3,112.94 million) and total revenues for the year of `2,690.47 million (March 31, 2010 ` 3,535.84 million). 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 other auditors. *The accounting policies used by them have not been harmonised with that used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained.*

   b We have not audited the financial statements of Electrical Machine Industries (Baharin) WLL (EMIB) and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2011. Consequently, the Company's share in the profits/losses of associates as shown separately in the Profit and Loss Account and the value of investments in the consolidated balance sheet are based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the said year as received from the said associates. *The accounting policies used by them have not been compared and harmonized with that used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained. Details of accounting policies, contingent liabilities as at March 31, 2011, notes forming part of the financial statements of the said associates have not been furnished.*

   c. *Intra group balances have not been comprehensively identified and reconciled and balances to the extent identified and reconciled have been eliminated, while preparing these consolidated financial statements. In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years have not been eliminated. Effect on consolidated financial statements not ascertainable.*

4. *Subject to our comments in paragraph 3 above*, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements and AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiaries, audited/ unaudited financial statements of the associates for the year ended March 31, 2011.

5 *Attention is invited to the following: -*

   a) Note 8 of schedule 'O' regarding certain debtors, creditors, loans & advances, reconciliation of balances between the Company, its erstwhile subsidiary KSL and operating business of KPEL being under review/reconciliation. We have relied on the representations of the management that the effect of the same on the revenue of the year is not material.

   b) *Note 22 of schedule 'O' regarding SAP ECC 6 systems implemented being subject to stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realizable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements is as assessed by the management and not verified by us.*

   c) *Note 11 of schedule 'O' regarding realizable value of assets held for sale being assessed by management without the support of an external valuation or quotations from prospective buyers*

   d) *Note 12 of schedule 'O' regarding amounts due from certain companies of `23.692 million, which have incurred losses and whose net worth has been partially or wholly eroded.*

   In all cases referred to above, effect on revenue is not ascertainable. We do not express any independent opinion in these matters.

6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraphs 3 and 5 above* and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:

   a. In the case of the balance sheet, of the consolidated state of affairs of the KEC group as at March 31, 2011

   b. In the case of the profit and loss account, of the profits of the KEC group for the year ended on that date and

   c. In case of the cash flow statement, of the cash flows of the KEC group for the year ended on that date.

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

CA SHYAM RAMADHYANI
Partner
Membership No 019522

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th Cross
Malleswaram,
Bangalore - 560 055

Date: May 28, 2011

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011

(₹ in 000's)

	Schedule	As at 31st March 2011		As at 31st March 2010	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
a) Capital	A	582,573		659,932	
b) Reserves & Surplus	B	1,657,597		1,332,084	
			2,240,170		1,992,016
Minority Interest			22,559		10,798
LOAN FUNDS					
a) Secured Loans	C	2,111,308		2,490,017	
. b) Unsecured Loans	D	511,015		361,122	
			2,622,323		2,851,139
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (NET OF AMORTISATION)			-		36,181
TOTAL			4,885,052		4,890,134
APPLICATION OF FUNDS					
FIXED ASSETS					
a) Gross Block	E	3,701,432		3,521,829	
b) Less : Depreciation		1,727,041		1,492,274	
c) Net Block			1,974,391		2,029,555
d) Capital Work in progress/ assets held for sale	F		53,947		73,209
			2,028,338		2,102,764
INVESTMENTS	G		19,665		18,907
DEFFERED TAX ASSET - REFER NOTE 21 OF SCHEDULE 'O'			148,096		-
CURRENT ASSETS, LOANS & ADVANCES	H				
a) Inventories		1,650,539		1,558,335	
b) Sundry Debtors		2,446,557		2,591,354	
c) Cash & Bank Balances		730,278		627,115	
d) Loans & Advances		531,575		409,998	
		5,358,949		5,186,802	
Less : **CURRENT LIABILITIES & PROVISIONS**	I				
a) Current Liabilities		3,730,345		3,311,745	
b) Provisions		292,715		394,458	
		4,023,060		3,706,203	
NET CURRENT ASSETS			1,335,889		1,480,599
GOODWILL ON CONSOLIDATION (NET)			1,353,064		1,287,864
TOTAL			4,885,052		4,890,134
NOTES ON ACCOUNTS	O				

FOOT NOTE : Schedules referred to above and the Notes attached form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011.

(₹ in 000's)

	Schedule	Current Year		Previous Year	
INCOME					
Sales		**11,584,317**		12,476,900	
Less: excise duty		**713,444**	**10,870,873**	648,377	11,828,523
Other Income	**J**		**77,289**		155,772
Profit on sale of fixed assets			**78**		40
TOTAL			**10,948,240**		11,984,335
EXPENDITURE					
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	**K**		**7,534,517**		7,818,212
Operating and Other Expenses	**L**		**2,797,700**		3,044,394
Interest and Finance Charges					
On Fixed Loans		**186,352**		142,667	
On Other Accounts		**129,734**		158,915	
			316,086		301,582
Loss on sale of fixed assets			**467**		32
Depreciation, Amortisations and Provisions	**M**		**208,922**		209,190
			10,857,692		11,373,410
Less: Expenses Capitalised			**1,905**		17,616
TOTAL			**10,855,787**		11,355,794
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS & EXTRAORDINARY ITEMS			**92,453**		628,541
Add:					
Prior period adjustment (net)	**N**	**(1,878)**		(3,857)	
Extraordinary income		**18,462**	**16,584**	8,382	4,525
PROFIT BEFORE MINORITY INTEREST& SHARE OF INCOME FROM ASSOCIATES			**109,037**		633,066
Less/ (Add) : share of loss/ (profit) from associates (net)			**429**		2,584
Less: Minority interest			**4,574**		6,331
PROFIT BEFORE TAX EXPENSE			**104,892**		624,151
Less : Provision for current tax		**16,049**	**-**	89,415	-
Provision for current tax - previous years		**31**	**-**	25,128	-
Provision for Deferred Tax		**19,664**	**35,744**	-	114,543
PROFIT ATER TAX EXPENSE			**69,148**		509,608
Add: Profit brought forward from Previous Year			**1,121,921**		749,095
			1,191,069		1,258,703
Less:					
Transfer to Debenture Redemption Reserve		**-**		16,466	
Transfer to Capital redemption Reserve		**77,359**		120,316	
			77,359		136,782
Balance of Profit Carried to Balance Sheet			**1,113,710**		1,121,921
Earning per Share (Face Value Rs 10 per share)					
Before considering extraordinary items					
Basic & Diluted			**0.82**		**9.59**
After considering extraordinary items					
Basic & Diluted			**1.13**		**9.73**
NOTES ON ACCOUNTS	**O**				

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : May 28, 2011

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in 000's)

	Current Year		Previous Year	
A CASH FLOW FROM OPERATION ACTIVITIES				
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		**104,892**		624,151
DEPRECIATION (INCLUDING GOODWILL)	**218,822**		214,270	
AMORTISTION & PROVISIONS (NET)	**(117,658)**		23,213	
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	**389**		(8)	
EXTAORDINARY INCOME	**(18,462)**		(8,382)	
INTEREST AND DIVIDEND (NET)	**297,408**		285,876	
		380,499		514,969
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**485,391**		1,139,120
ADJUSTMENT FOR				
TRADE & OTHER RECEIVABLES	**107,721**		146,396	
INVENTORIES	**(92,204)**		146,667	
TRADE & OTHER PAYABLES	**411,561**		(282,456)	
		427,078		10,607
		912,469		1,149,727
CASH GENERATED FROM OPERATIONS				
DIRECT TAXES PAID	**(98,685)**		(88,671)	
		(98,685)		(88,671)
NET CASH FROM OPERATING ACTIVITIES		**813,784**		1,061,056
B CASH FLOW FROM INVESTING ACTIVITIES				
PURCHASE OF FIXED ASSETS (INCLUDING CWIP)	**(147,484)**		(266,659)	
INCREASE IN GOODWILL ON CONSOLIDATION	**(65,200)**		155,188	
DECREASE IN THE VALUE OF EQUITY IN ASSOCIATES	**(758)**		3,871	
SALE OF FIXED ASSETS	**2,699**		2,015	
INCREASE/(DECREASE) IN MINORITY INTEREST	**11,761**		3,644	
INCREASE/(DECREASE) IN FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT	**(36,181)**		96,515	
INCREASE/(DECREASE) IN FOREIGN CURRENCY TRANSLATION RESERVE	**99,232**		(239,279)	
INTEREST RECEIVED	**21,704**		10,729	
DIVIDEND RECEIVED	**366**		12	
NET CASH USED IN INVESTING ACTIVITIES		**(113,861)**		(233,964)
C CASH FLOW FROM FINANCING ACTIVITIES				
PROCEEDS FROM TERM BORROWING	**284,829**		250,000	
REPAYMENT OF TERM BORROWINGS/DEBENTURES/ FINANCE LEASE OBLIGATIONS	**(648,845)**		(911,450)	
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	**207,230**		192,405	
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	**(72,030)**		(6,720)	
REPAYMENT OF PREFERENCE SHARE CAPITAL	**(77,359)**		(82,956)	
EXTAORDINARY INCOME	**18,462**		8,382	
DIVIDEND PAID	**-**		(32,349)	
INTEREST PAID	**(309,047)**		(295,977)	
NET CASH USED IN FINANCING ACTIVITIES		**(596,760)**		(878,665)
D NET INCREASE IN CASH & CASH EQUIVALENTS		**103,163**		(51,573)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**627,115**		678,688	
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	**730,278**		627,115	
		103,163		(51,573)

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2011

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

(₹ in 000's)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of ₹. 100/- each	**300,000**	300,000
60,000,000 Equity Shares of ₹. 10/- each	**600,000**	600,000
TOTAL	**900,000**	**900,000**
Issued, Subscribed and Paid-up :		
773,592 (1,547,182) Preference Shares of ₹. 100/- each	**77,359**	154,718
50,521,367 (50,521,367) Equity Shares of ₹. 10/- each	**505,214**	505,214
	582,573	**659,932**

NOTES :

1) Equity Shares include:
   - a 10,000 Shares of face value of ₹ 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
   - b 6,679,572 Shares of face value of ₹ 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
   - c 6,000,000 shares were 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.
   - d 2,000,000 equity shares of ₹ 10/- each aggregating to ₹ 20 million at a premium of ₹ 20/- each have been alloted during the year 2007-08 to the promoters group in terms of order June 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.
   - e 6,752,550 shares issued to share holders of Kaytee Switchgear Limited and 10,500,000 shares issued to the shareholders of Kirloskar Power Equipment Limited, as fully paid up pursuant to the Scheme of arragement apporved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so alloted includes 6,174,878 equity shares of ₹ 10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.
2) 1,176,746 preference shares of ₹ 100/- each issued to preference shareholders 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 received in cash. 429,564 shares of ₹.100/- each and 373,590 shares of ₹ 100/- each were redeemed during the year 2009 - 2010 and in the current year respectively and the balance shall be redeemed on April 1, 2012
3) 400,000 (previous year 800,000) preference shares carry a cumulative dividend of 7% per annum w.e.f 01.10.2001 payable cumulatively out of the profits of the company. The rate of dividend can be increased to 9% per annum by way of payment of redemption premium subject to profitability and cash flows. These shares shall be redeemed on 30.9.2011

SCHEDULE "B"	As at 31st March, 2011	As at 31st March, 2010
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	**1,806**	1,806
Add: On first time recognistion of deferred tax asset by LDW	**157,133**	-
	158,939	1,806
Revaluation Reserve		
As per last Balance Sheet	**48,041**	48,041
Capital Redemption Reserve		
As per last Balance Sheet	**162,816**	42,500
Add: Transferred from Profit & Loss account	**77,359**	120,316
	240,175	162,816
Debenture Redemption Reserve		
As per last Balance Sheet	**49,400**	32,934
Add: Transferred from Profit & Loss account	**-**	16,466
	49,400	49,400
Reconstruction Reserve Account		
As per last Balance Sheet	**64,167**	64,167
Profit & Loss Account	**1,113,710**	1,121,921
Foreign Currency translation Reserve		
As per last Balance Sheet	**(125,067)**	114,212
Adjustments during the year (net)	**(99,232)**	(239,279)
	(25,835)	(125,067)
Reserve for Doubtful Debts		
As per last Balance Sheet	**9,000**	9,000
TOTAL	**1,657,597**	1,332,084

SCHEDULE "C"		
Secured Loans - Refer note 4 of Schedule "O"		
a) From Banks	**2,063,140**	2,405,849
b) Finance Lease obligations	**48,168**	67,702
c) Zero coupon debentures	**-**	16,466
TOTAL	**2,111,308**	2,490,017

SCHEDULE "D'		
UNSECURED LOANS		
a) Fixed Deposit	**316,194**	180,994
b) SICOM Sales Tax loan	**1,119**	1,119
c) From banks	**36,372**	157,546
d) From companies	**157,330**	21,463
TOTAL	**511,015**	361,122

NOTE :

Fixed Deposits include unclaimed deposits of ₹ 244 (as at March 31, 2010 ₹ 244) and ₹ 2,500 (as at March 31, 2010 ₹ 2,500) from a director of the Company.
Amount falling due for payment within one year is ₹ 252,861 (as at March 31, 2010 ₹ 214,039).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "E"

FIXED ASSETS **(₹ in 000's)**

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 1st April 2010	Additions for the year	Adjustment on account of exchange fluctuation	Deductions during the year	**As at 31st March 2011**	As at 1st April 2010	For the year	Adjustment on account of exchange fluctuation	Deductions during the year	**As at 31st March 2011**	**As at 31st March 2011**	As at 31st March 2010
Tangible Assets **Own Assets**												
Land (*)	122,388	-	-	-	**122,388**	-	-	-	-	-	**122,388**	122,388
Buildings ($)	630,049	10,827	6,575	-	**647,451**	124,151	23,192	762	-	**148,105**	**499,346**	505,898
Plant & Machinery	2,076,324	63,267	18,104	1,773	**2,155,922**	1,082,940	135,994	10,472	269	**1,229,137**	**926,785**	993,384
Furniture & Equipment	250,096	23,924	5,364	-	**279,384**	141,294	22,235	3,906	-	**167,435**	**111,949**	108,802
Vehicles	36,087	5,709	-	2,708	**39,088**	17,845	2,551	-	1,124	**19,272**	**19,816**	18,242
Leased Assets	-	-	-									
Land (#)	145,199	-	-	-	**145,199**	-	-	-	-	-	**145,199**	145,199
Plant & Machinery	64,996	38,565	-	-	**103,561**	16,137	15,849	-	-	**31,986**	**71,575**	48,859
Leasehold Improvements to buildings	29,377	-	-	-	**29,377**	2,488	1,047	-	-	**3,535**	**25,842**	26,889
Intangible assets												
Goodwill	42,346	-	-	-	**42,346**	42,346	-	-	-	**42,346**	**-**	-
Product development	3,731	-	-	-	**3,731**	1,244	-	-	-	**1,244**	**2,487**	2,487
Techn ical knowhow	11,063	-	-	-	**11,063**	9,877	1,186	-	-	**11,063**	**-**	1,186
Software	110,173	8,376	3,373	-	**121,922**	53,952	16,768	2,198	-	**72,918**	**49,004**	56,221
TOTAL	**3,521,829**	**150,668**	**33,416**	**4,481**	**3,701,432**	**1,492,274**	**218,822**	**17,338**	**1,393**	**1,727,041**	**1,974,391**	**2,029,555**
Previous Year	3,231,106	343,422	44,856	7,843	3,521,829	1,294,486	214,270	10,646	5,836	1,492,274		

(*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was creadited to Revaluation Reserve ₹ 48,041.

($) Includes ₹ 3,337 being the cost of ownership premises taken in possession for which Society is to be formed.

(#) Land taken on lease from KIADB aggregates to ₹ 6,958. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

($ #) Leasehold land and buildings aggregating to ₹ 157,037 are subject to registration. However, the Company has taken possession of the said property. Provision has been made for estimated stamp duty and registration charges payable. Further, transfer of the said land is subject to approval of Uttar Pradesh State Industrial Development Corporation.

SCHEDULE "F"

(₹ in 000's)

	As at 31st March 2011	As at 31st March 2010
a. CAPITAL WORK IN PROGRESS/ASSETS HELD FOR SALE:		
1 Plant & Machinery taken on finance lease	**-**	38,565
2 Buildings	**20,382**	1,079
	20,382	39,644
b. Assets Held for Sale: (Refer note 11 of Schedule 'O')		
Plant & Machinery held for sale	**33,565**	33,565
(Net of provision of ₹ 7,791 (as at March 31, 2010 ₹ 7,841)		
TOTAL:	**53,947**	73,209

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "G"

(₹ in 000's)

Details of Investment	Name of the Company	Nos	Face Value ₹	As at 31st March 2011 ₹	As at 31st March 2010 ₹
INVESTMENTS (AT COST) {LONG TERM}					
TRADE :					
(a) Quoted :					
(i) Equity Shares - Fully Paid-up					
	ICICI Ltd., (on merger of Sangli Bank Limited)	1,081	10	**100**	**100**
	Kirloskar Computer Services Ltd.,	200,000	10	**-**	-
(ii) Debentures - Fully Paid-up					
	The Mysore Kirloskar Ltd., @	30,000	44	**-**	-
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
	In Other Companies :				
	Kirloskar Proprietary Ltd.,	26	100	**128**	128
	(aquired 25 shares on rights issue)				
	Kirloskar (Malaysia) Sdn. Bhd,	-			
	Kuala Lumpur, Malaysia	300,000	MR 1	**6,441**	4,967
	(includes 100,000 bonus shares)				
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh 1000	**853**	853
	Kirsons Trading Pte. Ltd	56,250	S $ 1	**1,120**	1,120
	Kirloskar Power Equipment Ltd.,	340,000	10	**5,909**	5,909
	Electrical Machine Industires (Bahrain) WLL	180	BHD100	**5,114**	5,830
		TOTAL:		**19,665**	**18,907**

@ Matured and due for payment.

NOTES :	**₹ in 000's**	₹ in 000's
1) Aggregate value of quoted investments		
Cost	100	100
Market Value	1,203	1,036
2) Aggregate value of unquoted investments		
Cost	19,565	18,807

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "H"

(₹ in 000's)

	As at 31st Mar 2011		As at 31st March 2010	
CURRENT ASSETS, LOANS & ADVANCES				
A. Current Assets				
1. Inventories				
i. Raw Materials,stores,spares parts,components etc.,	**525,465**		353,934	
ii. Stock in trade				
Finished goods (including trading stocks)	**151,950**		166,598	
Process stock	**960,894**		1,016,948	
iii. Others-Including material at port and scrap	**12,230**		20,855	
		1,650,539		1,558,335
2. Sundry Debtors - (Unsecured)				
i. Debts outstanding for a period exceeding six months				
a) Considered good	**581,291**		453,086	
b) Considered doubtful	**133,002**		188,264	
ii. Other debts (Considered good)	**1,865,266**		2,138,268	
		2,579,559		2,779,618
Less : Provision for doubtful debts		**133,002**		188,264
		2,446,557		2,591,354
3. Cash and Bank Balances				
a. Cash on hand	**1,059**		1,438	
b. Amount in transit/ Cheques on hand	**900**		6,570	
c. Balances with scheduled banks				
- On current accounts	**258,598**		173,349	
- On short term deposit accounts	**280,900**		251,792	
d. Balance with other banks:				
- On current accounts	**12,663**		9,080	
- On short term deposit accounts	**176,158**		184,886	
		730,278		627,115
B. Loans and Advances (Unsecured, Considered good unless otherwise stated):				
Advances recoverable in cash or in kind or for value to be received				
i) Sundry Advances & Deposits				
a) Considered good	**440,494**		358,252	
b) Considered doubtful	**85,032**		121,514	
	525,526		479,766	
Less : Provision for doubtful advances	**85,032**		121,514	
	440,494		358,252	
ii) Central excise deposits	**83,100**		39,914	
iii) Advance payment of tax (includes advance FBT and net of provision for tax)	**7,981**		11,832	
		531,575		409,998
TOTAL:		**5,358,949**		5,186,802

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULE "I"

(₹ in 000's)

		As at 31st Mar 2011		As at 31st March 2010	
	CURRENT LIABILITIES & PROVISIONS				
A.	**Current Liabilities**				
	Sundry Creditors	2,251,349		2,265,227	
	Acceptances	509,219		191,708	
	Trade Advances	853,868		796,727	
	Other liabilities (@)	103,253		52,466	
	Interest accrued but not due on loans and deposits	12,656		5,617	
			3,730,345		3,311,745
B.	**Provisions**				
	For Taxation (including FBT & Net of advance tax)	-		75,829	
	For Earned Leave Encashment	61,405		64,162	
	For Wage arrears	-		7,000	
	For Stamp duty pursuant to Scheme	65,958		72,036	
	For Gratuity	93,908		106,680	
	For Warranties	71,444		68,751	
			292,715		394,458
	TOTAL:		4,023,060		3,706,203

(@) Includes ₹ 309 million due to Directors (Previous year ₹ 309).

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "J"

(₹ in 000's)

		Current Year		Previous Year
OTHER INCOME				
Interest (Gross) :				
from banks on deposits	**11,921**		13,683	
from others	**6,391**		2,011	
(Tax deducted at source ₹ 910, previous year ₹ 250)		**18,312**		15,694
Dividend from long term				
Investments : Trade		**366**		12
Commission on Sales		**-**		16343
Rent received		**9,072**		9,389
(Tax deducted at source ₹ 540, previous year ₹ 540)				
Miscellaneous*		**49,539**		114,334
TOTAL:		**77,289**		155,772

* Includes provision no longer required ₹ 13,025 million (previous year ₹ 90,310), Provision for non moving inventory withdrawn ₹ Nil (previous year ₹ 9,110), Provision for doubtful debts withdrawn ₹ 3,552 (previous year ₹ Nil) and Provision for doubtful advances withdrawn ₹ Nil (previous year ₹ 10,000).

SCHEDULE "K"

CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS & COMPONENTS AND PURCHASES FOR TRADING

Raw material, stores and Components*	**7,308,739**		7,473,906	
Purchases for Trading	**154,177**		136,630	
		7,462,916		7,610,536
Deduct : Increase in stocks				
Stocks at Close				
Process stocks	**960,894**		1,016,948	
Trading and finished goods	**151,950**		166,598	
Scrap	**342**		1,241	
	1,113,186		1,184,787	
Less : Stocks at commencement				
Process stocks	**1,016,948**		1,204,100	
Trading and finished goods	**166,598**		165,778	
Scrap	**1,241**		954	
	1,184,787		1,370,832	
		71,601		186,045
Inventories written off		**-**		21,631
		7,534,517		7,818,212

* Value of stores and spares not separately ascertained

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31[ST] MARCH 2011

SCHEDULE "L"

(₹ in 000's)

		Current Year		Previous Year
OPERATING & OTHER EXPENSES				
Power & Fuel		**138,620**		135,621
Expenses relating to Employees :				
Salaries, Wages & Bonus - refer note 13 of Schedule 'O'	**1,327,591**		1,427,317	
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	**191,361**		180,865	
Gratuity as per actuarial valuation	**32,661**		33,802	
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	**87,473**		142,329	
		1,639,086		1,784,313.
Rent		**80,722**		81,766
Repairs				
Buildings	**5,903**		11,920	
Machinery	**27,941**		27,191	
Others	**72,260**		90,284	
		106,104		129,395
Selling Expenses		**209,214**		230,082
Commission		**39,787**		92,955
Cash Discount		**21,290**		11,724
Additional Sales Tax		**-**		5,180
Maintenance of Vehicles		**4,373**		4,659
Insurance		**36,389**		70,106
Rates and Taxes		**14,448**		8,316
Advertisement		**12,518**		13,633
Printing & Stationery		**9,891**		12,173
Travelling Expenses		**126,342**		118,389
Postage, Telegrams and Telephones		**20,755**		21,084
Auditors Remuneration		**8,823**		11,358
Tech. Consultancy & Professional Charges		**147,836**		108,591
Accounting machinery		**-**		42,001
Bank Charges (includes exchange fluctuation difference of ₹ 45,258 Dr.previous year ₹ 380 Cr.)		**113,816**		94,423
Subscription to technical associations,				
General Expenses		**37,961**		3,966
Journals and Magazines		**3,897**		34,389
Donations		**1,163**		1,540
Directors' sitting fees		**901**		319
Remuneration to whole-time directors		**23,765**		28,411
Bad debts & disallowance written off	**66,710**		10,167	
Less : Provision for doubtful debts withdrawn	**66,710**		10,085	
		-		
Advances written off	**36,482**		8,157	
Less : Provision for doubtful advances withdrawn	**36,482**		8,157	
	-		24,960	
Investments written off	**-**		24,960	
Less : Provision for diminution in value of Investments withdrawn		**-**		
Uninstalled machinery written off	**50**		48,134	
Less : Provision for unistalled machinery withdrawn	**50**		48,134	
		2,797,700		3,044,394

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

SCHEDULE "M"

(₹ in 000's)

		Current Year	Previous Year
	DEPRECIATION, AMORTISATION AND PROVISIONS		
1	Depreciation	**218,822**	209,930
2	Doubtful debts	**15,000**	20,000
3	Doubtful advances	**-**	5,000
4	Warranty claim	**11,281**	10,441
5	Amortisation of Foreign Exchange Loss on Monetary item	**(36,181)**	(36,181)
		208,922	209,190

SCHEDULE "N"

(₹ in 000's)

		Current Year	Previous Year
	PRIOR PERIOD ADJUSTMENT		
1	Depreciation	**-**	4,340
2	Bonus provision withdrawn	**-**	(431)
3	Finance Lease adjustment	**-**	(1,893)
4	Others	**8,568**	4,095
5	Other income related to prior periods	**(6,690)**	(2,254)
		1,878	3,857

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. 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, 2011. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used are as received from it and is unaudited.

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, the provisions of the Companies Act, 1956. 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. Accounting policies of the consolidating entities have not been synchronized.

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 difference has been adjusted in the Profit and Loss Account. In terms of the option provided by notification dated March 31, 2009 issued by the Ministry of Corporate Affairs, Government of India, exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded, in so far as they relate to acquisition of non depreciable capital assets relating to the year 2008 – 09 and 2009 – 10 were accumulated in a 'Foreign currency monetary item translation difference account' and amortized over the balance period of such long term asset/liability but not beyond March 31, 2011.

The step down subsidiaries of the Company referred to in note 2 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. Resulting exchange differences have been accumulated in a 'Foreign Currency Translation Reserve'.

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.

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) Investment in an associate has 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.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 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.

(iii) Assets Held for Sale:

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

1.2 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.3 INVENTORIES:

(Parent Company)

1. Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average at net landed cost or net realizable value whichever is lower.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

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 based on the weighted average/ average price/ latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

Lloyd Dynamowerke GmbH & Co. KG (LDW)

Inventories of raw materials and finished goods are recorded at the lower of historical cost or replacement cost at balance sheet date. For slow moving inventories adequate write downs were applied. Valuation for finished goods and work in progress was carried out at the lower of cost of production or the lower attributable value. Cost of production includes all directly attributable cost. Overhead cost and cost of general administration are included according to commercial and fiscal acceptable values. Predictable losses are with the intention of a loss free valuation accounted for with revaluation adjustments or loss provisions.

1.4 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 31st March 1994.
b) In respect of other 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.
c) 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 quarter of addition. Furniture and fixtures whose cost is ₹.5,000/- or below are fully depreciated in the year of addition.
d) Depreciation on assets taken on finance lease is charged over the primary lease period.
e) Depreciation on software is provided at 33.33% per annum.
f) Depreciation on Technical Know-how fees and product development are written over a period of six years.
g) 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 quarterly basis, depending upon the quarter of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹.5,000/- is depreciated fully. However, in certain units where SAP ERP software has been implemented depreciation has been provided on monthly prorata basis.

LDW

a) Intangible assets of fixed assets are recorded at historical cost less regular accumulated depreciation.
b) Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straight line accumulated depreciation. Real estate is depreciated over a period of 25 years. For movable property it is assumed useful lifetime between three and thirteen years. Low value assets with acquisition cost upto EUR 150 were fully depreciated in the year of acquisition. Additions to low value assets, starting with 2008, (those with acquisition cost between EUR 150 and EUR 1000) are recorded in the year of addition and are depreciated straight line over a period of five years. Since January 1, 2010 the additions with acquisition cost upto EUR 410 are fully depreciated in the year of acquisition.

1.5 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.

1.6 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Profit and Loss Account 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.

1.7 REVENUE RECOGNITION:

Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

1.8 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: (Parent Company)

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

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

LDW

The Company has contributed certain percentage of salary of the employee to social securities as per the law of the land, such amount paid/payable during the year is accounted under employer contribution to social security.

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 gain and losses are recognized immediately in the statement of profit and loss account 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 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 of 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. LDW has a scheme of paying vacation pay to its employees. The methodology adopted for estimation of this liability has not been received from LDW.

1.9 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.

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 profit and loss account.

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

d) In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

1.10 TAXES ON INCOME (Parent Company):

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.

LDW:

The Company took the option to capitalization the deferred taxes based on the changed regulations of the German commercial law. Mainly the assets of the supplementary tax balance sheet are considered. The first time recognition is carried out resulting in neither profit nor loss. Further a fiscal loss brought forward from previous account was activated. The recoverability was supported by a fiscal cost budget. The computation is the basis a trade fiscal load at a value of 15.4%.

1.11 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 Profit & Loss Account.

1.12 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the group has a present obligation as a result of past event and it is probable that tan 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.

2. 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 **Subsidiary**	**Ownership Percentage**	**Country of Incorporation**
Kirsons BV	100%	The Netherlands
Step down Subsidiaries		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.8949%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associate		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33%	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	30.00% (30.35%)	Malaysia

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ in 000's)

3(a)	CONTINGENT LIABILITIES OF THE COMPANY AND ITS SUBSIDIARIES:	As at 31.03.2011	As at 31.03.2010
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	**2,084,853**	2,310,848
ii)	Bills discounted with bank	**261,512**	200,425
iii)	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	**6,209**	12,158
iv)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹.70,194 against the demand which has been included in Loans & advances under schedule "H (B)".	**212,194**	212,544
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to ₹.12,944 (Previous year ₹. 12,944)	**256,491**	241,532
vi)	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.	**Not Ascertainable**	Not Ascertainable
vii)	Interest if any, on account of delays in payment suppliers.	**Not Ascertainable**	Not Ascertainable
viii)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
ix)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**Amount not ascertainable**	Not Ascertainable
x)	Penal damages levied by the Regional Provident Fund commissioner and subject to write before the High Court of Karnataka, Bangalore. An amount of ₹ 4,618 paid has been included in loans and advances	**9,154**	9,154
xi)	Wage settlement of certain units has expired. The Company is under negotiation with the workers for postponing the effective date of new settlement, due to economic slowdown.	**Not ascertained**	Not ascertained
xii)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2011 (as at March 31, 2010 for the period from April 1, 2004 to March 31, 2010) (including tax thereon).	**107,174**	95,643
xiii)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 20,000 (Previous year ₹ 20,000) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 20,000 along with dividends in arrears of ₹ 20,560 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 to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	**40,560**	40,560
xiv)	Income tax demands under appeal	**9,307**	Nil
xv)	Show cause notices raised by the department for short and non remittances for tax deducted at source - Matter under examination.	**4,599**	Nil

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/ settlement of matter. The management believes that, based on legal advice or internal assessment, the outcome of these contingencies will be favorable and that loss is not probable. Accordingly, no provisions have been made for the same.

(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	**104,787**	44,943

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ in 000's)

		As at 31.03.2011	As at 31.03.2010
4.	**SECURED LOANS OF THE COMPANY & SUBSIDIARIES:** A) Loans and Advances from banks & financial institutions : i) Working capital term loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.	**99**	39,776
	ii) Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	**896,988**	841,784
	iii) Against pledge of fixed deposits	**58,378**	74,828
	iv) Against security of Motor Cars	**364**	561
	v) Working capital facilities at LDW is secured by current assets and certain fixed assets of that company under pool treaty agreement entered with the consortium of lenders of the Company	**140,006**	410,011
	vi) Term loan at LDW is secured by fixed assets	**205,628**	111,870
	vii) Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in favor of ICICI Bank, Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of KEC.	**761,677**	927,019
	B) Against assets purchased on finance lease	**48,168**	67,702
	C) Loans and Advances from Financial Institutions: Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) & (iii) above.	**Nil**	16,466

5. 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 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 assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 58,922 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.

c. The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

6. 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.

7. Current assets, loans and advances include ₹ 28,412 (Previous year ₹ 33,015) due from private limited companies in which directors are interested.

8. a. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding in India as at March 31, 2011 for more than 2 years of ₹180,346, the Company holds a provision of ₹116,533. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.

b. The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹52,879 has been included in Current assets, Loans & Advances. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

9. a. The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed during the year have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.

b. The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be uniform across units and refined/improved to bring it in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.

10. a. During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2011 have been based on moving weighted average and labor/ overheads absorption methods configured in the said system as against other cost basis used in the previous year. Effect of such change on the revenue for the year is not ascertained.

b. Depreciation on additions has been calculated on monthly prorate basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

c. The additions to fixed assets at LDW whose acquisition cost upto Euro 410 has been fully depreciated in the year of acquisition from January 01, 2010. Due to the such change in the method of accounting the depreciation has been overstated and profits have been understated by ₹ 3,326.

11. Assets held for sale has been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.

12. a) Current Assets, Loans & Advances include ₹ 23,692 (as at March 31, 2010 ₹22,718) being rescheduled advances from certain other Companies.

b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

13. Salaries, wages & bonus includes ₹ Nil (previous year ₹ 22,193) amount paid towards voluntary retirement scheme at certain units during the year.

14. Remuneration to Managing Director & other whole time directors: **(₹ In 000's)**

	Particulars	Current Year	Previous year*
a)	Managing Director		
	Salary & Perquisites	**10,800**	16,463
	Contribution to Provident& Other Funds	**2,916**	4,445
	TOTAL	**13,716**	20,908
b)	Joint Managing Director		
	Salary & Perquisites	**3,704**	5,912
	Contribution to Provident & Other Funds	**772**	1,591
	Gratuity paid	**1,697**	
	TOTAL	**6,173**	7,503
c)	Deputy Managing Director		
	Salary & Perquisites	**3,216**	-
	Contribution to Provident & Other Funds	**660**	-
	TOTAL	**3,876**	-
	GRAND TOTAL	**23,765**	28,411

Liability in respect of accrued gratuity & compensated absence to Managing Director and Deputy Managing Director are not ascertainable separately. Remuneration to Joint Managing Director includes gratuity and leave encashment paid during the year. In addition, all the directors referred to above are entitled to free use of Company car and communication facilities.

In the absence of adequate profits in terms of section 349 of the Companies Act, 1956, minimum remuneration as stated above has been paid/ provided to the whole time directors of the Company.

The appointment of Mr. Anuj Patnaik as Deputy Managing Director from September 23, 2010 and the remuneration paid/provided amounting to ₹ 3,876 is subject to the approval of the members of the Company.

The members of the Company have approved payment of higher remuneration to the Chairman and Managing Director amounting to ₹ 2,000 per month plus benefits and perquisites with effect from August 17, 2010. Pending reconsideration of the approval granted, no provision has been made in the financial statements for differential remuneration payable estimated at ₹ 10,455. The above data doesn't include remuneration to managing director of step down subsidiary amounting to ₹ 12,254 (Previous year ₹ 11,811).

The above data doesn't include remuneration to managing director of step down subsidiary amounting to ₹ 12,254 (Previous year ₹ 11,811).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

15. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognised as expense for the year are as under:

(₹ 000's)

	Current Year	Previous year*
Employer's Contribution to Provident Fund & Pension Scheme	**35,329**	35,070
Employer's Contribution to Superannuation Fund	**11,395**	12,696
Employer's contribution to Social security (in case of LDW)	**144,593**	139,135

Defined Benefit Plan:

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

(₹ In 000's)

	Current Year		Previous year	
1. Reconciliation of opening and closing balances of defined benefit obligation:	**Gratuity (Funded)**	**Leave (Funded)**	Gratuity (Funded)	Leave (Unfunded)
Defined Benefit obligation at beginning of the year	**225,643**	**42,469**	210,190	38,747
Current Service Cost	**11,913**	**7,650**	9,971	7,431
Interest Cost	**16,502**	**3,009**	14,672	2,603
Additional provision for increase in limit of gratuity/ in excess of limit	**18,138**	**-**	14,139	-
Actuarial (gain)/ loss	**(1,812)**	**(3,709)**	5,071	99
Benefits Paid	**(22,681)**	**(6,211)**	(28,400)	(6,411)
Defined Benefit obligation at end of the year	**247,703**	**43,208**	225,643*	42,469
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**118,963**	**-**	99,706	
Expected return on plan assets	**12,236**	**206**	9,725	
Employer Contribution	**45,433**	**4,387**	38,258	
Benefits paid	**(22,681)**	**-**	(28,400)	
Actuarial gain/(loss)	**(156)**	**(183)**	(326)	
Fair value of plan assets at year end	**153,795**	**4,410**	118,963	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**153,795**	**4,410**	118,963	-
Present value of obligation	**247,703**	**43,208**	225,643*	42,469
Amount recognized in Balance Sheet under liabilities:	**93,908**	**38,798**	106,680	42,469
4. Expense recognized during the year: (under "Schedule-M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	**11,913**	**7,650**	9,971	7,431
Interest Cost	**16,502**	**3,009**	14,672	2,603
Expected return on plan assets	**(12,236)**	**(206)**	(9,725)	-
Additional provision for increase in limit of gratuity/ in excess of limit	**18,138**	**-**	14,139	
Actuarial (gain)/ loss	**(1,656)**	**(3,526)**	4,745	99
Net Cost	**32,661**	**6,927**	33,802*	10,133

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ In 000's)

	Current Year		Previous year	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Unfunded)
5 **Actuarial assumptions:**				
Mortality Table (LIC)	**1994 – 96 (Ultimate)**	**1994 – 96 (Ultimate)**	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	**7.70%**	**7.70%**	7.70%	7.70%
Expected rate of return on plan assets (per annum)	**9.25% to 9.40%**	**9.40%**	**9.25% to 9.40%**	Nil
Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

*Based on the notification dated May 18, 2010 issued by the Government of India, enhancing the maximum limit of gratuity payable to employees, the Company has provided an additional liability amounting to ₹ 14,139.

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. The above data relates only to the parent Company. The group holds the provision of ₹ 22,607 towards vacation pay payable by LDW. Data for disclosures in terms of AS – 15 has not been received from LDW.

16. Segment Reporting:

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

₹ in 000s

	Particulars	**Primary Segment**		**Others**	**Total**
		Power Generation & Distribution	**Rotating Machines Group**		
1	**Segment Revenues** External Revenues	**4,646,760** (4,496,139)	**6,401,652** (7,536,264)	**535,905** (444,497)	**11,584,317** (12,476,900)
	Intersegment revenues	**45,157** (130,783)	**166,143** (18,209)	**3,702** (44,729)	**215,002** (193,721)
	Total Revenues	**4,691,917** (4,626,922)	**6,567,795** (7,554,473)	**539,607** (489,226)	**11,799,319** (12,670,621)
2	**Segment Results**: Profit Before Taxation and Interest	**371,169** (673,228)	**487,816** (585,633)	**117,432** (196,458)	**976,417** (1,455,319)
	Less: Interest				**316,086** (301,582)
	Less: Depreciation & Amortizations				**208,922** (213,530)
3	Unallocable Expenditure				**437,344** (385,187)
4	Unallocable & Other Income (including Extraordinary items)				**95,829** (78,046)
5.	Share of Profits/ (losses) in the Associates (Net)				**(429)** (-2,584)
6.	Minority interest – Share of Profits				**4,574** (6,331)
	Less: Tax (including FBT)				**35,744** (114,543)
	Total Profit				**69,147** (509,608)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(₹ In 000's)

	Particulars	Primary Segment		Others	Total
		Power Generation & Distribution	Rotating Machines Group		
7	**Segment Assets**	**2,028,159** (1,826,223)	**3,033,508** (4,592,844)	**251,896** (303,558)	**5,313,563** (6,722,625)
8	**Unallocable Assets**				**3,594,548** (1,873,712)
9	**Segment Liabilities**	**1,682,328** (1,146,871)	**1,786,473** (1,959,530)	**153,401** (162,329)	**3,622,203** (3,268,730)
10	**Unallocable Liabilities**				**3,023,180** (3,288,612)
11	**Capital Expenditure**	**11,667** (13,938)	**130,480** (116,022)	**13** (3,702)	**142,160** (133,662)

(ii) Geographical Segment: (₹ 000's)

Particulars	Segment revenue by geographical Market	
	Current year	Previous year
Sales of India	**8,952,198**	8,840,453
Sales of overseas	**2,632,119**	3,636,447
Total	**11,584,317**	12,476,900

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets: (₹ 000's)

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	Current year	Previous year	**Current year**	Previous year
Located in India	**5,798,287**	5,365,323	**93,652**	239,304
Located outside India	**3,109,824**	3,231,014	**57,016**	104,118
Total	**8,908,111**	8,596,337	**150,668**	343,422

17. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik (upto 11.10.2010) Mr. Anuj Pattanaik (from 23.09.2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Berthold Groeneveld	Key management personnel and their Relatives.
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Baharain) W.L.L	Associates
3	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijayjyothi Investments and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investments Private Limited Vijaykirti Investments and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

DETAILS OF TRANSACTIONS: **(₹ In 000's)**

Nature of transactions	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	**Nil** (Nil)	**Nil** (Nil)	**23,613 *** (47,749)
Sale of goods/fixed assets/ services	**Nil** (Nil)	**25,986#** (17,134)	**5,486 ^** (10,536)
Purchase of Motor Cars from Ravindu Motors Private Limited	**Nil**	**Nil**	**4,514** (1,999)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	**Nil**	**Nil**	**Nil** (150,000)
Purchase of Plant & Machinery from Kirloskar Batteries Pvt Ltd.	**Nil**	**Nil**	**5,233** (Nil)
Rent received from Ravindu Motors Private Limited	**Nil**	**Nil**	**2,400** (2,647)
Dividend received	**Nil**	**Nil #** (137)	**Nil** (Nil)
Rent paid	**1,595!** (1,600)	**Nil**	**39,687 ##** (41,622)
Investments as at March 31, 2011	**Nil**	**11,555 +** (10,797)	**5,909++** (5,909)
Investments written off during the year	**Nil**	**Nil @@** (5,000)	**Nil @@** (2,380)
Irrecoverable advances written off during the year	**Nil**	**Nil**	**32,246 $** (Nil)
Provision for doubtful advances as at March 31, 2011	**Nil**	**Nil**	**Nil$** (32,246)
Amount due to Company as at March 31, 2011	**Nil !** (2,700)	**10,769#** (9,712)	**59,456!!** (92,695)
Amount due from Company as at March 31, 2011	**Nil** (Nil)	**Nil**	**6,746 $$** (21,231)
Remuneration paid	**36,892 ^^^** (29,979)	**Nil**	**Nil**
Fixed deposit accepted during the year from Rukmini Kirloskar	**1,000** (-)	**Nil**	**Nil**
Fixed deposit outstanding as at March 31, 2011	**3,500 **** (2,500)	**Nil**	**Nil**
Interest on fixed deposits	**433 ***** (65)	**Nil**	**Nil**
Redemption of Preference Shares to Abhiman Trading Company	**Nil**	**Nil**	**467** (467)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	**897,087** (881,560)	**Nil**	**Nil**

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.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O"

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

* Includes Purchases of goods / services from Kirloskar Batteries Private Limited ₹ 4,771 (previous year ₹26,641), Vijay Farms Private Limited ₹ 6,371 (Previous year ₹ 5,918), Sri Vijaydurga Investments and Agencies Private Limited ₹ 8,646 (Previous year ₹ 9,595), Vijayjyothi Investments and Agencies Private Limited ₹ 284 (Previous year ₹ 68) and Abhiman Trading Company Private Limited ₹ 3,541 (Previous year ₹ 5,527).

\# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Batteries Private Limited ₹ Nil (Previous year ₹ 9,449) and Ravindu Motors Private Limited ₹ 5,486 (Previous year ₹ 1,087)

\## Includes rent paid to Kirloskar Power Equipments Limited ₹ 22,200 (Previous year ₹ 21,600), Vijayjyothi Investments and Agencies Pvt Ltd ₹ 15,600 (Previous year ₹ 15,600), Sri Vijaydurga Investments and Agencies Private Limited ₹ Nil (Previous year ₹ 1,800) and Kirloskar Batteries Pvt Ltd ₹ 1,887 (Previous year ₹ 2,622).

\+ Investments in Kirloskar (Malaysia) Sdn Bhd. ₹ 6,441 (as at March 31, 2010 ₹ 4,967) and Electrical Machine Industries ₹ 5,114 (as at March 31, 2010 ₹ 5,830).

++ Investments in Kirloskar Power Equipments Limited ₹ 5,909 (as at March 31, 2010 ₹ 5,909)

$$ Represents due to Kirloskar Batteries Private Limited.

@ @ Represents KEASI Robican Industrial Systems Limited ₹ Nil (Previous year ₹ 5,000) and Kirloskar Computer Services Limited ₹ Nil (Previous year ₹ 2,380).

$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipments Limited ₹ 31,246 (as at March 31, 2010 ₹ 27,630), Kirloskar Computer Services Limited ₹ Nil (as at March 31, 2010 ₹ 32,246), Vijay Farms Pvt. Limited ₹ 17,848 (as at March 31, 2010 ₹ 17,707), Vijayjyothi Investments and Agencies Private Limited ₹ 4,410 (as at March 31, 2010 ₹ 10,480), Abhiman Trading Company Pvt. Limited ₹ 3,405 (as at March 31, 2010 ₹ 3,607), Vijaykirti Investments and Agencies Private Limited ₹ Nil (as at March 31, 2010 ₹ 60),Vijaydurga Investments and Agencies Pvt Ltd ₹ 2,439 (as at March 31, 2010 ₹ 865) and Ravindu Motors Private Limited ₹ 108 (as at March 31, 2010 ₹ 100).

! Represents due from Meena Kirloskar

** Represents deposits accepted from Meena Kirloskar ₹ 2,500 (Previous year ₹ 2,500) and Rukmini Kirloskar ₹ 1,000 (Previous Year ₹ Nil)

*** Represents interest paid to Meena Kirloskar ₹ 379 (Previous year ₹ 65) and Rukmini Kirloskar ₹ 54 (Previous year ₹ Nil)

^^^ Includes paid to Vijay R Kirloskar ₹ 13,716 (Previous year ₹ 20,908), P S Malik ₹ 6,173 (Previous year ₹ 7,503), Anuj Pattanaik ₹ 3,876 (Previous year Nil) Meena Kirloskar ₹ 73 (Previous year ₹ 25), Janaki Kirloskar ₹ 240 (Previous year ₹ 1,007), Rukmini Kirloskar ₹ 560 (Previous year ₹ 536) and Bethold Groenveld ₹ 12,254 (Previous year ₹ 11,811).

18. Finance Leases:

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

(₹ In 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2011	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2011
Within One year	**26,255**	**4,801**	**21,454**
	(26,255)	(7,347)	(18,908)
Later than one year but not later than five years	**28,885**	**2,171**	**26,714**
	(56,998)	(8,204)	(48,794)
Total	**55,140**	**6,972**	**48,168**
	(83,253)	(15,551)	(67,702)

19. 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 ₹ 81,892 (₹ 81,766).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "O" *(Contd...)*

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

20. Earnings per share: ₹ (000's)

PARTICULARS	Current Year	Previous Year
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	**69,147**	509,608
Less:		
Preference Dividend including dividend tax	**12,055**	17,733
	57,092	491,875
Weighted No. of Equity Shares for Basic EPS	**50,521,367**	50,521,367
Basic EPS (₹)	**1.13**	9.73
Before extraordinary items		
Profit for the year after tax expense	**69,147**	509,608
Less: extraordinary item (net of tax)	**15,619**	6,957
	53,528	502,651
Less:		
Preference Dividend including dividend tax	**12,055**	17,733
	41,473	484,918
Weighted No. of Equity Shares for Basic EPS	**50,521,367**	50,521,367
Basic EPS (₹)	**0.82**	9.59

21. DETAILS OF DEFERRED TAX (LIABILITY) / Asset: ₹ In 000's

		As at 31.03.2011	As at 31.03.2010
a)	Of the Company:		
	Liability relating to value of fixed assets	**203,698**	222,359
	Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961	**203,698**	222,359
	Net amount	**Nil**	**Nil**
b)	Of LDW:		
	First time Capitalization supplementary tax balance sheet	**165,586**	Nil
	Differences provision for storage of business records between commercial and tax balance sheet	**(42)**	Nil
	Capitalisation trade tax loss carried forward	**2,364**	Nil
	Dissolution from supplementary tax balance sheet	**(19,812)**	Nil
	Net amount	**148,096**	Nil
	Total Amount	**148,096**	Nil

22. During the year the Company has made provisions towards warranty claims from the customers towards sales, leave to employees and stamp duty payable pursuant to Scheme the details of the same are as under:

₹ in 000's

Particulars	Earned leave encashment	Wage arrears	Stamp duty	Warranty Claims *
Balance outstanding at the beginning of the year	**64,162**	**7,000**	**72,036**	**68,751**
	(61,051)	(-)	(65,000)	(61,507)
Provision for the year (net)	**-2,757**	**-7,000**	**-6,078**	**11,281**
	(3,111)	(7,000)	(7,036)	(10,441)
Exchange fluctuation difference	-	-	**-**	**(8,588)**
				(3,197)
Balance outstanding at the end of the year	**61,405**	**-**	**65,958**	**71,444**
	(64,162)	(7,000)	(72,036)	(68,751)

* includes provision held at LDW ₹ 22,608 (As at March 31, 2010 ₹ 25,751)

23. The Company has entered into forward contracts outstanding as on March 31, 2011 for Euro 250,000 to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2011 are as under:

Particulars	As at 31.03.2011 ₹ in 000's	As at 31.03.2010 ₹ in 000's
Assets (Receivables)	**30,521**	25,228
Liabilities (Payables)	**32,980**	11,650

24. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated December 23, 1978. Figures in Schedule 'O' are in ₹ 000's unless otherwise stated.

25. Previous year figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets represent previous year figures.

As per our report of even date

For B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Place: Bangalore
Date : May 28, 2011

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

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

						The net aggregate amount of the subsidiary companies Profit/(loss) so far as it concerns the members of the Holding Company			
						Not dealt with in the Holding Company's accounts		Dealt with in the Holding Company's accounts	
Sl No.	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	For the financial year ended 31st March, 2011	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31st March, 2011	For the previous financial years of the subsidiary companies since they became the Holing Company's subsidiary
1	Kirsons B.V.	31.3.2011	11.8.2008	1353 shares of € 100 each	100 %	€ (118877)	€ (846876)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2011	1.9.2008	€ 3160000 Capital	94.9%	€ 1269892	€ 3014450	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2011	1.9.2008	€ 25000 Capital	100%	€ 1523	€ 1125	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Bangalore
Date : May 28, 2011

KIRSONS B.V.

Financial Statement of the year 2010 - 2011

REPORT OF THE AUDITOR

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

Oostzaan, May 17, 2011

Dear Sirs,

According to your assignment we have audited the financial statements for the year 2010-2011 (ending March 31, 2011) of Kirsons B.V. in Amsterdam (Netherlands).

1 GENERAL INFORMATION

1.1 Scope of engagement

According to your assignment we have audited the financial statement 2010-2011 of Kirsons B.V. in Amsterdam (Netherlands). These financial statements are the responsibility of the management of the company. Our responsibility is to express an opionon on these financial statements based on our audit. These financial statements on the pages 5 up to and including 17 of this report.

1.2 Registration

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

1.3 Activities of the company

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

1.4 Management

At the end of this financial year the management of the company was carried out by Mr. Vijay R. Kirloskar, Mr. Pralhad P. Katti and Mr. Prabhakar Y. Mahajan.

The auditor's report is stated under "Other information" on page 19 of this report.

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

Yours sincerely,

Drs. Gerrit C. Groen RA

1. BALANCE SHEET AS PER MARCH 31, 2011

(after appropriation of the result)

		March 31, 2011		March 31, 2010	
		€	€	€	€
ASSETS					
Fixed assets					
Financial fixed assets	(1)				
Subsidiaries			23,188,092		20,788,971
Current assets					
Receivables	(2)				
Receivables from subsidiaries		7,417,309		5,859,959	
Tax receivables		15,935		212,519	
			7,433,244		6,072,478
Cash	(3)		25,650		46,149
TOTAL			30,646,986		26,907,598
EQUITY AND LIABILITIES					
Shareholders' equity	(4)				
Issued and paid up share capital		135,300		105,900	
Share premium		15,411,792		11,570,716	
Other reserves		3,099,868		-846,876	
			18,646,960		10,829,740
Long-term liabilities	(5)				
Debts to banks			11,900,000		15,300,000
Current liabilities	(6)				
Accounts payable		5,435		23,130	
Payable to subsidiaries		-		369,629	
Payable to parent company		29,333		107,942	
Accruals and deferred liabilities		65,258		277,157	
			100,026		777,858
TOTAL			**30,646,986**		**26,907,598**

2 PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2010 TILL MARCH 31, 2011

		April 1, 2010-March 31, 2011		April 1, 2009-March 31, 2010	
		€	€	€	€
Net turnover	(7)		67,000		92,900
Operating costs					
General expenses	(8)		86,593		195,909
Operational result			-19,593		-103,009
Interest income and related revenues	(9)	285,969		286,916	
Interest expenses and related expenses	(10)	-393,959		-534,538	
Financial result			-107,990		-247,622
Result normal operations before taxation			-127,583		-350,631
Taxation	(11)		8,706		-
Share in profit subsidiaries	(12)		4,065,621		-
Net result after taxation			3,946,744		-350,631

3 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

GENERAL INFORMATION

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

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

Group Companies

The company forms part of a group, of which Kirsons B.V. in Amsterdam is at the head. The group consists futhermore of:

- Lloyd Dynamowerke GmbH & Co. KG in Bremen, Germany (94.8949% share in capital)
- Lloyd Beteiligung GmbH in Bremen, Germany (100% share in capital)

Consolidation

Based upon the exemption stated in article 408, Book 2 of the Dutch Civil Code the company does not prepare consolidated financial statements. The company's financial statements as well as those of its subsidiaries are included in the consolidated financial statements of Kirloskar Electric Company Limited in Bangalore, India.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Financial fixed assets

The participations in the subsidiaries are valued at cost price according to Dutch reporting guideline RJ 214,325 since the exemption of article 408, Book 2 of the Dutch Civil Code is applied.

Receivables

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

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

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

Net turnover

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

Operating costs

Operating costs are taken into account in the period to which they relate, if necessary by means of accruals.

Financial result

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

Share in profit subsidiaries

Shares in profit of non-consolidated subsidiaries are accounted for in accordance with the net asset value method.

Taxation

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

4 NOTES TO THE BALANCE SHEET

ASSETS

	03-31-2011	03-31-2010
FIXED ASSETS	€	€
1. Financial fixed assets		
Subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	23,154,155	20,755,034
Lloyd Beteiligung GmbH	33,937	33,937
	23,188,092	20,788,971

	04-01-2010 till 03-31-2011	04-01-2009 till 03-31-2010
	€	€
Lloyd Dynamowerke GmbH & Co. KG		
Book value as per April 1	20,755,034	20,612,620
Cost additions during the year	-40,157	142,414
Accumulated losses before date of acquisition	2,439,278	-
Book value as per March 31	23,154,155	20,755,034
Lloyd Beteiligung GmbH		
Book value as per April 1	33,937	33,937
Movements	-	-
Book value as per March 31	33,937	33,937

CURRENT ASSETS

2. Receivables

	3-31-2011	3-31-2010
	€	€
Receivables from subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	7,417,309	5,859,959

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

Tax receivables		
VAT refundable	867	2,163
VAT refundable (Germany)	15,068	15,068
Foreign withholding tax in Germany	-	195,288
	15,935	212,519

3. Cash

ING Bank N.V., current account (6808,74,488)	25,650	46,149

EQUITY AND LIABILITIES	03-31-2011	03-31-2010
	€	€
4. Shareholders' equity		
Issued and paid up share capital	135,300	105,900
Share premium	15,411,792	11,570,716
Other reserves	3,099,868	-846,876
	18,646,960	10,829,740
Issued and paid up share capital		
1.353 ordinary shares each of a nominal value of € 100	135,300	105,900

The authorised capital of the company amounts to € 390,000 consisting of 3,900 ordinary shares each of a nominal value of € 100.

In this financial year 294 (previous year 225) ordinary shares were issued and fully paid up.

	04-01-2010 till 03-31-2011	04-01-2009 till 03-31-2010
	€	€
Share premium		
Book value as per April 1	11,570,716	8,626,511
Share premium paid on new issued shares	3,841,076	2,944,205
Book value as per March 31	15,411,792	11,570,716
Other reserves		
Book value as per April 1	-846,876	-496,245
Net result	3,946,744	-350,631
Book value as per March 31	3,099,868	-846,876

5. Long-term liabilities

Debts to banks		
Loan ICICI Bank Canada	11,900,000	15,300,000

Loan ICICI Bank Canada

	04-01-2010 till 03-31-2011	04-01-2010 till 03-31-2010
	€	€
Book value as per April	15,300,000	17,000,000
Redemptions	-3,400,000	-1,700,000
Book value as per March 31	11,900,000	15,300,000

The loan was granted in September 2008 for a six year period. Redemption is agreed upon in 20 equal quarterly instalments of € 850,000 commencing from December 2009 until September 2014. An amount of € 3,400,000 is to be redeemed within 12 months after balance sheet date.
The interest rate is calculated at 3 months LIBOR plus 2 percent and stated in euro.
The bank loan is secured by pledge of shares of the company and its subsidiaries and is backed by a Standby Letter of Credit from ICICI Bank Limited in India.

6. Current liabilities

	03-31-2011	03-31-2010
	€	€
Accounts payable		
Accounts payable to creditors	5,435	23,130

	03-31-2011	03-31-2010
	€	€
Payable to subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	-	369,629
Accruals and deferred liabilities		
Accruals	65,258	277,157
Accruals		
Share application money pending allotment	35,000	155,000
Interest loan Kirloskar Malaysia SDN BHD	-	6,510
Interest loan ICICI Bank Canada	22,758	24,293
Audit fee	7,500	7,000
Other accruals	-	84,354
	65,258	277,157

5 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2010 TILL MARCH 31, 2011	04-01-2010 till 03-31-2011	04-01-2009 till 03-31-2010
7. Net turnover		
Advisory services	67,000	92,900
Operating costs		
8. *General expenses*		
Advisory expenses from parent company	63,809	88,599
Notary expenses	-	40,871
Legal service costs	2,539	8,374
Tax advise, VAT and corporate tax	6,158	18,443
Audit fee	7,500	14,159
Trust service costs	5,026	13,846
Professional charges	1,561	11,617
	86,593	195,909
Financial result		
9. *Interest income and related revenues*		
Interest on shareholders' loan	285,841	284,312
Interest income	128	58
Foreign exchange results	-	2,546
	285,969	286,916
10. ***Interest expenses and related expenses***		
Interest loan ICICI Bank Canada	-389,980	-517,489
Interest loans groupcompanies	2,141	-8,217
Bankcharges	-6,120	-8,832
	-393,959	-534,538
11. Taxation		
Deferred taxes from capital reserves of Lloyd Dynamowerke GmbH & Co. KG	293,726	-
Foreign withholding tax in Germany written off	-285,020	-
	8,706	-
12. Share in profit subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG, financial year 2010-2011	1,205,062	-
Lloyd Dynamoweke GmbH & Co. KG, for the period April 1, 2009 till March 31, 2010	1,809,824	-
Lloyd Dynamowerke GmbH & Co. KG, for the period January 1, 2009 till March 1, 2009	382,095	-
Lloyd Dynamowerke GmbH & Co. KG, for the period September 1, 2008 till December 31, 2008	668,640	-
	4,065,621	-

Signing of the financial statements

AMSTERDAM, May 17, 2011

Mr. Vijay R. Kirloskar

To the Managing Board of Directors

1 AUDITOR'S REPORT

We have audited the accompanying financial statements for the year ended March 31, 2011 of Kirsons B.V. in Amsterdam (Netherlands), which comprise the balance sheet as at March 31, 2011 and the profit and loss account for the period April 1, 2010 till March 31, 2011 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

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 Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2011 and of its result for the period April 1, 2010 till March 31, 2011 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Oostzaan, May 17, 2011

Ozlo Accountants

Drs. Gerrit C. Groen RA

2 Statutory rules concerning the appropriation of the profit

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

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

3 Proposed appropriation of the result for the financial year 2010-2011

The managing board of directors proposes that the profit for the financial year 2010-2011 amounting to € 3,946,744 will be added to the other reserves.

Anticipating on the adoption by the general meeting of shareholders this proposal is reflected in the financial statements.

LLOYD DYNAMOWERKE GmbH & CO. KG

BREMEN

Audit Report

Annual Financial Statement as at 31st March 2011 and Management Report

1. Audit assignment

At the shareholders meeting of

" Lloyd Dynamowerke GmbH & Co KG, Bremen" (also reffered to in the following as "Company")

on 2nd November 2010 we were selected as the auditor for the annual accounts for the fiscal year 2011. In execution of the order granted us by the management, we have audited

- the annual statement of accounts (balance sheet) for 31st March 2011 (Annex 1 - 3)
- the management report for the fiscal year 2011 (Annex 4)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2010 and the management report for 2009/2010 and provided/issued an unrestricted audit certificate.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for annual accounts (IDW PS 450).

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 8. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

With regard to the assessment given by legal representative, we refer in particular to the progress report which in our opinion provides a detailed and comprehensive description of the situation and outlook. We consider the representation and assessment of the company's situation and its prospective development by the management in the annual statement of accounts and in the progress report to be appropriate and accurate.

2.2. Risk management

The company issued procedural instructions for the identification and handling of risks that were revised and expanded in 2004. In this, the risks are divided into non-order-related and orderrelated. The possible risks, provided they are of material significance, are recorded in forms which are to be filled out in January by the cost center manager for the year-to-date non-order-related risks. The objects of this recording are risks from the areas of personnel, machinery equipment and data processing, manufacturing method, supplier and insurance coverage. The order-related risks, only those in excess of t € 150, are recorded in two stages: In the first stage the sales manager records sales risks pertaining to service in a broader sense, for example, exchange rate problems, customer credibility, penalty, other contractual risks, etc. before confirmation of order. After order acceptance, a technical risk assessment is carried out within the framework of a kick-off-meeting, for example, using specific features of the technical requirements and risks in the ordered number of items. If risks are recognized, a risk report survey is to be filled out in which the risk is assessed with regard to the possible amount and probability, and measures for overcoming the risk are determined.

The appropriate QM-statement of procedure has lastly been amended in April 2010.

The documents we inspected are kept by the head of quality management. We did not determine non-order-based risks in 2010/2011. Order-based risks concerned in particular payment risks on the part of the customer and contractual penalties to be agreed upon, less technical risks (e.g. promised degrees of efficiency). The procedure appears appropriate for us to the recognition of risks and the prevention of dangers for the size of the company.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting, annual statement of accounts (balance sheet) and the progress report. The annual statement of accounts and the progress reports were drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The audit was carried out during the period from 11th April 2011 until 29th April 2011.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. sqq. German Commercial Code (HGB) and the German legal execution of annual accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping, the annual statement of accounts (balance sheet) and the progress report are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB) .

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the annual financial statement, making it possible for us to assess the business risks as well as our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the annual statement of accounts/balance sheet.

The main emphasis of our audit, method and scope of the auditing procedures as well as the time-related and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

The audit focused on the following areas:

- Fixed assets
- Inventories
- Trade receivables and trade liabilities
- Other provisions
- Bank loans and overdrafts
- Sales

In addition, we have resolved, among other things, to the following standardized audit procedures:

We have obtained bank confirmations from all credit institutes with whom the company has business dealings during the fiscal year. We also obtained confirmations from lawyer.

By obtaining confirmations of balance, we have verified the appropriate balancing of receivables and liabilities from deliveries and services.

The goal of our auditing procedures within the framework auditing the progress report was to determine if the progress report was consistent with the annual statement of accounts and if it conveyed an appropriate representation of the company’s situation and whether the prospects and risk of future development were appropriately represented. Within this framework, the information was examined for completeness and plausibility. We have assessed the information based on our findings that were obtained during the annual accounts auditing.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting, annual statement of accounts and progress report.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents, the annual statement of accounts as well as the progress report correspond to the legal rules and the supplementary regulations of the partnership agreement.

4.1.2. Previous year’s statement of accounts

The previous year’s statement of accounts was adopted at the corporate meeting on 2nd November 2010. The management was granted exoneration.

4.1.3. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting, annual statement of accounts and progress report that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.4. Annual statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the annual statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The annual statement of accounts is appropriately derived from the previous year's annual statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.1.5. Management report

Our audit proved that the progress report is consistent with the annual statement of accounts as well as with our findings obtained by the audit and provides an overall appropriate representation of the company's situation. The course of business and the essential chances and risks of its future development are appropriately represented. The progress report contains information that is in accordance with § 289, paragraph 2 of the German Commercial Code (HGB).

4.2. Overall statement of the annual balance sheet

The annual balance sheet for 31st March 2011 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

Regarding the essential basis of evaluation, i.e. regarding the essential accounting and assessment methods and for the relevant factors for the assessment of assets and debts, we submit the following explanations:

The assessment of unfinished products and services results in prime costs minus distribution costs and represents therefore the maximum assessment method permissible under commercial law.

All accounting and assessment methods used by the company are given in the notes (Annex 3).

4.3 Net assets, financial position and results of operations

Net assets position

	31st March 2011		31st March 2010		Changes	
	t€	%	t€	%		t€
ASSE S						
Fixed Assets						
Intangible and tangible assets	5,628	23,8	5,679	22,7	-	51
Financial assets	18	0,1	18	0,1		0
	5,646	23,9	5,697	22,8	-	51
Current Assets						
Inventories (incl. payments received on account)	4,696	19,8	5,649	22,6	-	953
Trade receivables	7,413	31,3	9,751	39,0	-	2,338
Receivables from shareholders	0	0,0	391	1,6	-	391
Receivables from group companies	378	1,6	196	0,8	+	182
Other assets	334	1,4	173	0,7	+	161
Cash and equivalents	2,646	11,2	2,927	11,7	-	281
	15,467	65,3	19,087	76,4	-	3,620
Prepaid expenses	238	1,0	212	0,8	+	26
Deferred taxes	2,314	9,8	0	0,0	+	2,314
	23,665	100,0	24,996	100,0	-	1,331
LIABILITIES						
Middle and long-term						
Equity (incl. shareholder loans)	13,142	55,5	9,683	38,7	+	3,459
Bank loans and overdrafts	850	3,6	1,188	4,8	-	338
	13,992	59,1	10,871	43,5		3,121
Short-term						
Provisions	2,971	12,6	3,135	12,5	-	164
Bank loans and overdrafts	4,550	19,2	7,395	29,6	-	2,845
Trade liabilities	1,962	8,3	2,549	10,2	-	587
Other liabilities	190	0,8	1,046	4,2	-	856
	9,673	40,9	14,125	56,5	-	4,452
	23,665	100,0	24,996	100,0	-	1,331

Financial position

		t€
Profit for the period	+	1,270
Essential expenses and earnings without influence to the liquidity		
Increase capital reserve	+	2,587
Activation deferred taxes	-	2,314
Changes provision	-	164
Depreciation of fixed assets	+	942
	+	2,321
Changes of Inventories, Trade receivable and Other assets	+	2,922
Changes of Trade liabilities and other liabilities	-	1,443
Cash flow from operating activities	+	3,800
Payments-off for investments in fixed assets	-	891
Cash flow from investment activities	-	891
Borrowing loan	+	2,000
Credit on shareholder accounts	+	15
Loan redemption	-	654
Cash flow from financial activities	+	1,361
Changes of Cash and equivalents	+	4,270
Cash and equivalents - Opening Balance	-	3,811
Cash and equivalents - Closing Balance	+	459
Cash and equivalents	+	2,646
Short-term overdrafts facility	-	2,187
Cash and equivalents - Closing Balance	+	459

Results of operations

	2010 - 2011		2009 - 2010		Changes
	t€	%	t€	%	t€
Sales	43,509	107,8	50,827	105,8	- 7,318
Changes in work in progress	- 3,197	- 7,9	- 3,095	- 6,4	- 102
Other own work capitalized	+ 22	0,1	+ 270	0,6	- 248
Overall performance	+ 40,334	100,0	+ 48,002	100,0	- 7,420
Other operating income	+ 587	1,5	+ 523	1,1	+ 64
Operating performance	+ 40,921	101,5	+ 48,525	101,1	- 7,356
Cost of materials	17,070	42,3	21,329	44,4	+ 4,259
Personnel expenses	13,879	34,4	14,588	30,4	+ 709
Depreciation	942	2,3	832	1,7	- 110
Other taxes	69	0,2	65	0,1	- 4
Repairs and maintenance	517	1,3	474	1,0	- 43
Administrative expenses	1,502	3,7	1,608	3,3	+ 106
Selling expenses	1,538	3,8	2,271	4,7	+ 733
Other operating expenses	3,201	7,9	3,645	7,6	+ 444
Expenses for the operating performance	38,718	95,9	44,812	93,2	+ 6,094
Operating result	+ 2,203	5,6	+ 3,713	7,9	- 1,510
Financial result	- 843		- 1,060		+ 217
Ordinary result	+ 1,360		+ 2,653		- 1,293
Non-operating result	- 90		- 677		+ 587
Income taxes	0		- 69		+ 69
Profit	+ 1,270		+ 1,907		- 637

	2010- 2011 t€	2009- 2010 t€
Non-operating expenses		
Changes deferred taxes	- 273	0
Depreciation on exceptional amounts written off current assets	0	- 350
Expenses from the		
transfer of provision for specific doutbtful debts	0	- 195
transfer of general provision for doubtful debts	0	- 9
Write-off debts	0	- 124
Compensation	0	- 100
Other expenses related to other periods	- 89	- 60
	- 362	- 838
Non-operating income		
Gains from write-off of liabilities	+ 151	0
Insurance refund	+ 53	0
Dissolution of provision for specific doubtful debt	+ 40	+ 124
Dissolution of provision	+ 5	0
Foreign currency gains	+ 1	+ 1
Other income related to other periods	+ 22	+ 36
	+ 272	+ 161
	- 90	- 677

Annex 5 included more information about the positions of the annual financial statement.

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version Based on the result of our audit, we have provided the accompanying annual statement of accounts (Annex 1-3) dated 31st March 2011 and the accompanying managing report (Annex 4) for the fiscal year 2011 of Lloyd Dynamowerke GmbH & Co KG, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Lloyd Dynamowerke GmbH & Co. KG for the business year from 1st April 2010 to 31st March 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Bremen, 29th April 2011
WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

signed Gerstmayr	signed Senge	(Seal)
German Public Auditor	German Public Auditor	

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:
Bremen, 29th April 2011

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge
German Public Auditor	German Public Auditor

Balance Sheet 31st March 2011

	31st March 2011		31st March 2010
ASSETS	€	€	t€ Thousand (t)
A. Fixed Assets			
I. Intangible assets			
Licenses		477,931.00	468
II. Tangible assets			
1. Land and buildings	1,814,843.44		1,791
2. Technical equipment and machinery	2,616,249.00		2,740
3. Other equipment, factory and office equipment	718,513.00		680
		5,149,605.44	5,211
III. Financial assets			
Participating interests		18,064.71	18
B. Current Assets			
I. Inventories			
1. Raw materials	2,470,276.00		2,301
2. Work in progress	5,166,785.00		8,364
3. Payments on account	209,870.37		626
4. Payments received on account	-3,151,323.49		-5,642
		4,695,607.88	5,649
II. Receivables and other assets			
1. Trade receivables	7,412,929.96		9,751
2. Receivables from shareholders	0.00		391
3. Receivables from affiliated companies	341,055.00		196
4. Receivables from companies in which the company has a participating interest	37,494.81		0
5. Other assets	334,455.12		173
		8,125,934.89	10,511
III. Cash and equivalents		2,646,169.79	2,927
C. Prepaid expenses		237,781.62	212
D. Deferred taxes		2,313,768.96	0
		23,664,864.29	24,996
LIABILITIES			
A. Equity			
I. Limited liability capital	3,330,000.00		3,330
II. Capital reserves	2,333,260.39		56
III. Cumulated losses brought forward by limited partners	0.00		-1,472
IV. Profit for the year	0.00		1,907
		5,663.260.39	3,821
B. Provisions			
1. Tax provisions	493.00		0
2. Other provisions	2,970,747.53		3,135
		2,971,240.53	3,135
C. Liabilities			
1. Shareholder accounts	7,476,560.47		5,860
2. Bank loans and overdrafts	5,399,992.49		8,583
3. Trade liabilities	1,961,902.70		2,549
4. Liabilities to general partner	2,195.79		2
5. Other liabilities —thereof Taxes: € 132,153,59 (31.3.2010: t€ 416)— —and Social security: € 10,423,30 (31.3.2010: t€ 9)	189,711.92		1,046
		15,030,363.37	18,040
		23,664,864.29	24,996

Profit and loss account for the financial year 1st April 2010 to 31st March 2011 Annex 2

		1st April 2010 to 31st March 2011			1st April 2009 to 31st March 2010
		€	€	€	€
1.	Sales		43,509,101.93		50,826
2.	Changes in work in progress		- 3,196,889.00		- 3,095
3.	Other own work capitalized		21,735.75		271
				40,333,948.68	48,002
4.	Other operating income			858,653.98	684
				41,192,602.66	48,686
5.	Cost of materials				
	a) Cost of raw materials, consumables and goods for resale	13,518,559.53			16,014
	b) Cost of purchased services	3,551,314.08			5,315
			17,069,873.61		21,329
6.	Personnel expenses				
	a) Wages and salaries	11,481,501.66			12,316
	b) Social security	2,397,004.08			2,372
			13,878,505.74		14,688
7.	Depreciation				
	a) of fixed intangible and tangible assets		941,573.89		832
	b) exceptional amounts written off current assets		0.00		350
8.	Other operating expenses		6,847,051.68		8,386
				38,737,004.92	
				2,455,597.74	3,101
9.	Other interests receivables and similar income		23,576.54		18
10.	Interests and similar expenses - thereof changes deferred taxes: €285.841,58 (i.Vj. t€ 284)		866,251.11		1,078
				-842,674.57	- 1,060
11.	Ordinary operating results			1,612,923.17	2,041
12.	Income taxes - thereof changes deferred taxes: €273.261,43 (i.Vj. t€ 0)			273,750.63	69
13.	Other taxes			69,280.50	65
14.	Profit for the year			1,269,892.04	1,907

Annex 3

Explanatory notes for the financial statements as at 31st March 2011

General information

Preliminary note to the report

The annual report was prepared according to § 264a Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Dynamowerke GmbH & Co. KG is a big company according to § 267 Art. 3 German Commercial Code (HGB).

For the profit and loss account the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Intangible assets of fixed assets are recorded at historical cost less regular accumulated depreciation.

Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straightline accumulated depreciation. Real estate is depreciated over a period of 25 years. For movable property we assumed a useful lifetime between three and thirteen years. Low-value assets with acquisition costs up to 150 were fully depreciated in the year of acquisition. Additions to low-value assets, which are starting with 2008, those with acquisition cost between 150 and 1,000, are recorded in the year of addition and are depreciated straight-line over a period of five years. Since 1st January 2010 the additions with acquisition costs up to 410 are fully depreciated in the year of acquisition.

Financial assets are recorded at historical cost considering a low capital increase from company own resources in 2008.

Regarding inventories raw materials and finished goods are recorded at the lower of historical cost or replacement cost at balance sheet date. For slow moving inventories adequate write-downs were applied. Valuation for finished goods and work in progress was carried out at the lower of cost of production or the lower attributable value. Cost of production includes all directly attributable cost. Overhead cost and cost of general administration are included according to commercial and fiscal acceptable values. Predictable losses are with the intention of a loss-free valuation accounted for with revaluation adjustments or loss provisions.

Receivables and other assets are recorded at historical cost or face value. Identifiable risks are covered with single value adjustments, the general credit risks are covered by adequate general provisions.

The company took the option to capitalization the deferred taxes based on the changed regulations of the German commercial law. Mainly the assets of the Supplementary tax balance sheet are considered. The first-time recognition is carried out resulting in neither profit nor loss. Further a fiscal loss brought forward from previous account was activated. The recoverability was supported by a fiscal cost budget. The computation is the basis a trade-fiscal load at a value of 15.4 %.

Provisions are individually recorded and are, pursuant to identifiable risks, in accordance with prudential commercial evaluation measured.

Liabilities are basically recorded at amounts to be repaid.

Foreign currency

Assets and liabilities in foreign currency are recorded with the quoted rate at the date of initial recording. Losses from changes in quoted rates are accounted for income statement-related at balance sheet date.

Notes to balance sheet items

1. Fixed Assets

Breakdown and changes of individual positions of the assets are depicted in the following asset analysis.

The interest in the Electrical Machines Industries (Bahrain) W.L.L. relates to a joint venture founded in 1997. The interest of Lloyd Dynamowerke GmbH & Co. KG amounts to 33.33% of the total share capital of BHD 25,000.00 = 8,333.33 and was acquired with notary contract from 23rd July 1999 for DEM 1.00 = 0.51, which represented the actual carrying amount with LDW Abwicklungs-GmbH, by the manager in bankruptcy advocate Grönda. The company reported in fiscal year 2010 / 2011 a net loss of BHD 18,770. Net worth of the

Changes of assets from 1st April 2010 to 31st March 2011

Annex 3

	Historical cost			Depreciation			Carrying amount	
	As at 1st April 2010	Additions	As at 31st March 2011	As at 1st April 2010	Additions	As at 31st March 2011	As at 31st March 2011	As at 1st April 2010
	€	€	€	€	€	€	€	€
I. Intangible assets								
Licenses	1,182,127.31	130,262.78	1,312,390.09	714,521.31	119,937.78	834,459.09	477,931.00	467,606.00
II. Tangible assets								
1. Land & buildings	2,100,079.50	110,625.69	2,210,705.19	309,477.06	86,384.69	395,861.75	1,814,843.44	1,790,602.44
2. Technical equipment and machinery	6,279,491.89	366,228.64	6,645,720.53	3,539,182.09	490,289.44	4,029,471.53	2,616,249.00	2,740,309.80
3. Other equipment, factory and office equipment	1,951,149.35	283,666.98	2,234,816.33	1,271,341.35	244,961.98	1,516,303.33	718,513.00	679,808.00
	10,330,720.74	760,521.31	11,091,242.05	5,120,000.50	821,636.11	5,941,636.61	5,149,605.44	5,210,720.24
III. Financial assets								
Participating interests	18,064.71	0,00	18,064.71	0.00	0.00	0.00	18,064.71	18,064.71
	11,530,912.76	890,784.09	12,421,696.85	5,834,521.81	941,573.89	6,776,095.70	5,645,601.15	5,696,390.95

2. Receivables and other assets

Among other asset are reported claims of t€ 0 (previous year t€ 10) with a remaining useful life of more than one year. It concerns deposits.

In the balance sheet disclosure are single value adjustments to receivables with doubtful recoverability of t€ 187 (previous year t€ 227) as well as general provisions of t€ 70 (previous year t€ 87) offset against receivables.

3. Accruals and deferred income

The disclosure relates to t€ 77 (previous year t€ 45) prepayments of services to be rendered by employees.

4. Equity

Limited liability capital amounts to € 3,330,000.00. The capital was completely paid-in at balance sheet date.

The general partner Lloyd Beteiligungs-GmbH, Bremen, does not hold any partnership shares. The nominal capital of the company amounts to € 25,000.00.

The general partner receives a yearly compensation for risk of liability of 6,0% calculated on the reported equity as well as interest payment of 5,0% calculated on the clearing account.

5. Shareholder loan

The shareholders loan relates to one loan from Kirsons B.V.

6. Other provisions

Other provisions relate mainly to personnel department particularly for benefits (t € 721), for vacation (t€ 353) and for flex-time account and overtime (t€ 142), for warranties (t€ 425), for other outstanding invoices (t€ 300) as well as for Employer's Liability Insurance Association (t€ 320).

7. Liabilities

The remaining lives of liabilities as well as the respective collaterals are depicted in the following liabilities ageing report:

Liabilities ageing report 31st March 2011

	Total 31st March 2011	thereof with remaining life: up to 1 year	between 1 to 5 years	more than 5 years	collateralized amounts	nature of collateral
	€	€	€	€	€	
	(t€ 31st March 2010)	(t€ 31st March 2010)	(t€ 31st March 2010)	(t€ 31st March 2010)	(t€ 31st March 2010)	
Liabilities						
shareholder accounts	7,476,560	7,476,560	0	0	0	
	(5,860)	(5,860)	(0)	(0)	(0)	- land charge nominal tEUR 4,838
to banks	5,399,992	4,550,400	549,592	300,000	5,399,992,00	- blanket assignment of accounts receivable
	(8,583)	(7,395)	(788)	(400)	(8,583)	- assignment of machinery, office equipment etc. - cession of claims to trade credit insurance - assignment of goods - export overall transfer by way of security
received advance payments	3,151,323	3,151,323	0	0	0	
	(5,642)	(5,642)	(0)	(0)	(0)	
trade liabilities	1,961,903	1,961,903	0	0	0	
	(2,549)	(2,549)	(0)	(0)	(0)	
to general partner	2,196	2,196	0	0	0	
	(2)	(2)	(0)	(0)	(0)	
other	189,712	189,712	0	0	0	
	(1,046)	(1,046)	(0)	(0)	(0)	
	18,181,686	17,332,094	549,592	300,000	5,399,992	
	(23,682)	(22,494)	(788)	(400)	(8,583)	

8. Other financial liabilities

At balance sheet date there are presumably payment obligations from rental, leasing and service contracts to the amount of t € 1,378 (previous year t€ 1,075 p.a.). The underlying contracts have durations up to 60 months.

Notes to the profit and loss account

1. Sales

Sales are distributed under regional and operative aspects as follows:

Sales by region	31st March 2011 t€	31st March 2010 t€
Domestic	24,403	30,561
Non-domestic	19,106	20,266
thereof EU	4,261	11,766
	43,509	50,827

Sales by operative segment	31st March 2011 t€	31st March 2010 t€
Machinery	34,198	41,789
Services	7,165	6,077
Spare parts	1,886	2,665
Goods for resale	243	250
Other sales	178	145
Sales reductions	-161	-99
	43,509	50,827

2. Other operating income

Income relating to other periods amounting to t€ 272 (previous year t€ 161) are included. Mainly these are gains from write-offs of liabilities.

3. Other operating expenses

Expenses relating to other periods amounting to t € 89 (previous year t € 184) are included.

Other information

1. Employees

For 2011 the headcount is depicted as a yearly average as follows:

	2011	2010
Salaried workforce	138	137
thereof apprentices/trainees	13	11
Wage earner	138	136
thereof apprentices/trainees	2	4
Total workworce	276	273

2. General partner

Lloyd Beteiligungs-GmbH, Bremen, is the unlimited liable shareholder.

3. Consolidated financial statement

The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Electric Company Ltd., Bangalore. The end of period will be the 31st March. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Auditers Fee

	t€
Audit	32
Other Confirmations	11
Tax Consulting	10
Other Services	17

5. General managers (proxy holders)

As at 31st March 2011 commercial power of procuration was given to:

Mr. Dipl.-Ing. Hans-Peter Hermann, Bremen
Mr. Dipl.-Ing. Wolfgang Galler, Bremen

6. Managing director

Managing director for the general partner Lloyd Beteiligungs-GmbH was in 2011:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Bremen, in April 2011

Annex 4

Management Report for the Financial Year 1.4.2010 - 31.3.2011

1. Economic Report

A. Business Performance

Lloyd Dynamowerke GmbH & Co. KG develops, sells, plans and produces electrical machines. It also offers consultancy and servicing for electrical machines and related equipment.

The electrical machines are chiefly DC machines with an axle height starting from 90 mm and three-phase machines with an axle height starting from 315 mm up to axle heights of 2,800 mm. In each case motors and generators are both manufactured. The machines are predominantly installed in larger plants e.g. in the petrochemical industry, in hydroelectric plants or extraction technology. Another sector where they are used frequently is in shipbuilding.

Our electrical drives are high quality, durable assets from the plant and machinery sector. The production time for this type of machine can last up to 18 months from order confirmation to delivery of the machine. As we still had full order books at the beginning of the global economic crisis we were only affected in the last financial year by the financial crisis because of the time lag and have therefore been working shorter hours in some areas of our factory September 2010.

Sales have fallen in 2010-2011 against the comparative year (2009-2010) from € 50.8 million to € 43.5 million. This corresponds to a decline of 14.4 %. The worst affected sector was three-phase (- 9.3 %), because our customers were restrained in their calls for new tenders for large orders as a result of the financial crisis, especially in the shipbuilding sector.

The decline is even more apparent in the overall performance, falling by 16 % from € 48.0 million in the year 2009-2010 € 40.3 million in this financial year. 60 % of the sales were generated domestically; the actual locations where the machines are installed could, however, also be international within these sales, because they are normally installed in larger plants by the customers.

Gross profit has fallen from € 26.6 millon to € 23.4 million. The materials cost ratio sank from 44 % to 42 %. This corresponds to an absolute fall in the material expenses by € 4.2 million. The further fall in the materials ratio results from long-term delivery contracts and the development of new supplier relationships.

A significantly more positive picture emerged in the case of order receipts. Incoming orders were 55 % above the comparative period 2009-2010 at € 40.8 million. Accordingly, the order book amounts to over € 29 million. These figures are significantly above the average for the German electronics industry with a rise of 24 %. In financial year 2011-2012 we are expecting a further recovery in the economic situation and incoming orders of € 51 million.

B. Net assets, financial position and results of operations

Results of operations

	2010 - 2011		2009 - 2010		Changes
	t€	%	t€	%	t€
Sales	43,509	107.8	50,827	105.8	- 7,318
Changes in work in progress	- 3,197	- 7.9	- 3,095	- 6.4	- 102
Other own work capitalized	+ 22	0.1	+ 270	0.6	- 248
Overall performance	+ 40,334	100.0	+ 48,002	100.0	- 7,420
Other operating income	+ 587	1.5	+ 523	1.1	+ 64
Operating performance	+ 40,921	101.5	+ 48,525	101.1	- 7,356
Cost of materials	17,070	42.3	21,329	44.4	+ 4,259
Personnel expenses	13,879	34.4	14,588	30.4	+ 709
Depreciation	942	2.3	832	1.7	- 110
Other taxes	69	0.2	65	0.1	- 4
Repairs and maintenance	517	1.3	474	1.0	- 43
Administrative expenses	1,502	3.7	1,608	3.3	+ 106
Selling expenses	1,538	3.8	2,271	4.7	+ 733
Other operating expenses	3,201	7.9	3,645	7.6	+ 444
Expenses for the operating performance	38,718	95.9	44,812	93.2	+ 6,094
Operating result	+ 2,203	5.6	+ 3,713	7.9	- 1,510
Financial result	- 843		- 1,060		+ 217
Ordinary result	+ 1,360		+ 2,653		- 1,293
Non-operating result	- 90		- 677		+ 587
Income taxes	0		- 69		+ 69
Profit	+ 1,270		+ 1,907		- 637

Our earnings are characterised by our focus on quality products. We only offer low-price products to a lesser extent.

Our overall economic position can be described as good.

We employ qualified and committed skilled personnel. Personnel expenses fall by € 0.7 million in 2010-2011 compared to the previous year and the personnel cost ratio rose from 30.4 % to 34.4 %. The absolute reduction results from the short-time working beginning in March 2010, the ratio increased as a result of the reduced total output. Accordingly the number of temporary workers was almost completely reduced over the course of financial year 2010-2011. Expenditure sank from € 0.3 million in the previous year to € 0.1 million. This is also reflected in the reduced other operating expenses.

The depreciation of tangible fixed assets has increased as a result of the increased investment volume (mainly replacement investments) by € 0.1 million.

Maintenance expenses are around the level of the comparative period. The expenses mainly comprised maintenance projects for buildings as well as technical plant and machinery. There continues to be a large need for maintenance especially in the buildings sphere.

The lower administrative expenses result from a reduction in costs for third-party IT services (-t€ 250). This work started to be performed by our own staff again this year. In the increased consultancy costs the expenses for a project for process optimisation are reflected, which was started in the second half of the financial year.

The fall in selling expenses results from the lower sales of the financial year. At the same time it was possible in this year to close some provisions for commission, which were no longer needed, affecting net income.

In the other operating expenses above all the insurance expenses, which were reduced by € 0.4 million, have an effect, alongside the reduced cost of temporary workers. A large part of this saving comes from the assembly guarantee insurance, which is charged according to sales.

The cost structure is broadly unchanged in comparison to the previous year.

Financial and Assets Position

Net assets position

	31st March 2011		31st March 2010		Changes
	t€	%	t€	%	t€
ASSETS					
Fixed Assets					
Intangible and tangible assets	5,628	23.8	5,679	22.7	- 51
Financial assets	18	0.1	18	0.1	0
	5,646	23.9	5,697	22.8	- 51
Current Assets					
Inventories (incl. payments received on account)	4,696	19.8	5,649	22.6	- 953
Trade receivables	7,413	31.3	9,751	39.0	- 2,338
Receivables from shareholders	0	0.0	391	1.6	- 391
Receivables from group companies	378	1.6	196	0.8	+ 182
Other assets	334	1.4	173	0.7	+ 161
Cash and equivalents	2,646	11.2	2,927	11.7	- 281
	15,467	65.3	19,087	76.4	- 3,620
Prepaid expenses	238	1.0	212	0.8	+ 26
Deferred taxes	2,314	9.8	0	0.0	+ 2,314
	23,665	100.0	24,996	100.0	- 1,331
LIABILITIES					
Middle and long-term					
Equity (incl. shareholder loans)	13,142	55.5	9,683	38.7	+ 3,459
Bank loans and overdrafts	850	3.6	1,188	4.8	- 338
	13,992	59.1	10,871	43.5	3,121
Short-term					
Provisions	2,971	12.6	3,135	12.5	- 164
Bank loans and overdrafts	4,550	19.2	7,395	29.6	- 2,845
Trade liabilities	1,962	8.3	2,549	10.2	- 587
Other liabilities	190	0.8	1,046	4.2	- 856
	9,673	40.9	14,125	56.5	- 4,452
	23,665	100.0	24,996	100.0	- 1,331

Financial position	t€
Profit for the period	+ 1,270
Essential expenses and earnings without influence to the liquidity	
Increase capital reserve	+ 2,587
Activation deferred taxes	- 2,314
Changes provision	- 164
Depreciation of fixed assets	+ 942
	+ 2,321
Changes of Inventories, Trade receivable and Other assets	+ 2,922
Changes of Trade liabilities and other liabilities	- 1,443
Cash flow from operating activities	+ 3,800
Payments-off for investments in fixed assets	- 891
Cash flow from investment activities	- 891

Borrowing loan	+	2,000
Credit on shareholder accounts	+	15
Loan redemption	-	654
Cash flow from financial activities	+	1,361
Changes of Cash and equivalents	+	4,270
Cash and equivalents - Opening Balance	-	3,811
Cash and equivalents - Closing Balance	+	459
Cash and equivalents	+	2,646
Short-term overdrafts facility	-	2,187
Cash and equivalents - Closing Balance	+	459

The financial position is solid. Liabilities are settled within the payment deadlines (with discount) and dues collected within the payment terms.

Our capital structure is balanced; the equity ratio is 49 %, taking into consideration payments received on account on the liabilities side of the balance sheet.

Our trade liabilities amount to 8 % of the balance sheet total on the reporting date and are regularly settled within the given payment deadlines.

As in previous years our transactions were almost exclusively processed in euros, so there are no risks from foreign currency transactions.

The liquidity situation of LDW has positively improved in the last financial year. This corresponds with the reduction in accounts receivable.

LDW entered into a combination of a commodity swap and a commodity price cap transaction in the form of a price ceiling agreement for copper in September 2010. The term to maturity is 12 months and ends on 30.09.2011. The reference quantity is 5.0 metric tonnes. This swap performed negatively for LDW right from the beginning. The loss still anticipated to the end of the term was calculated by Commerzbank AG and we have put this aside.

C) Investments

Investments were made in the necessary renewal of machines and equipment, as well as in tools and the apparatus to process the orders. Besides this a new flat roof was invested in on Building 6.

D) Research and Development

The development capacity is mainly utilised in processing orders. The electrical and mechanical design of the special machines is LDW's core competence. LDW has received approval for an EU-funded project for the improvement of the transversal flux machine. Within this project LDW received a grant of t€ 201 in this financial year. In addition we are striving for a development project with a potential user in order to develop a significantly larger version again and to make it ready for production.

Furthermore, we are working on a project to increase material efficiency in relation to the cooling of generators. This project is being subsidised with 35 % from WFB Bremen (similar to the incurred costs). Finalisation is expected in the second quarter of 2012.

E) Employees

The number of employees remained almost constant at 261 (March 2010: 260 employees). Added to this figure are 15 trainees/ apprentices. The number of temporary workers was almost totally reduced by the end of the financial year.

In September 2010, short-time working was introduced at LDW. This affects all sections except sales, service and construction. If necessary, further sections can be taken out of short-time working at short notice.

Short-time working has been approved until September 2011 and can be extended until February 2012 at the latest if necessary.

Nine contracts for part-time hours for those approaching retirement age were signed, which will come into force during the calendar year 2011. They were drawn up in the so-called "block model". The terms are up to 4 years.

2. Subsequent Report

No post-reporting date events of significant importance have occurred.

3. Risk Report

The financial instruments in existence in the company predominantly comprise accounts due and payable and balances at banks.

The company has an efficient arrears reminder system; there were no payment defaults to be reported in this financial year.

The liquidity position is satisfactory; there are no bottlenecks to be expected.

Liabilities are paid within the agreed payment terms. The company finances itself in the long-term through bank loans with the three company banks. These are business relations that have been in existence for many years.

The goal of the company's financial and risk management policy is security against financial risks of any kind. The company pursues a thoroughly conservative risk policy in its financial management.

In order to cover itself against the liquidity risk and to maintain payment ability at all times, an ongoing liquidity plan is generated, which is constantly adjusted to current changes and is used as the basis for the disposal of funds.

When default and creditworthiness risks are detected in the case of financial assets, corresponding provisions are made.

4. Forecast

The present market situation is characterised by predatory competition, which has increased still further in the past year as a result of the global economic crisis.

Because in the past financial year order receipts were 55 % above those of the previous year we assume that we have come through the worst, both in terms of incoming orders and sales. This manifests itself both in further increasing activities in the requests for quotations by our customers and in the continuing very positive economic development in Germany and the rest of the world.

In the past year we have further built on our sales activities in the Middle East and in the USA/Canada. Here the first orders have been received and we assume that incoming orders from this area will continue to rise in future.

We have also developed our activities with our Indian shareholder, the Kirloskar Electric Group (KEC). Thus both the Kirloskar Group was able to generate new customers on the Indian market and LDW on the European market for the respective other company.

As well as intensifying sales activities, we are in the process of jointly developing a new standardised motor, a so-called "World Class Motor", which we will offer to the customers of LDW as well as those of KEC.

Following the market trend towards bigger, heavier but nevertheless more efficient machines, we are planning to expand our production capacities by building a new production hall and thereby opening up new market sectors. It will be possible to produce units with an individual weight of up to 250 tonnes in this new assembly hall (90 tonnes up until now) and to build larger so-called, "vertical motors", because of a higher hall ceiling. Commissioning of the hall is, however, only planned for the ensuring financial year, at the beginning of 2013. This should, however, already have a positive effect on order receipts prior to this and on sales in later financial years.

The current political discussions about switching off nuclear power stations and the forced development of renewable energies, in particular hydroelectric power stations and wind power, may well continue to have a positive effect on LDW, since we already have many years of experience today in the development of such electrical drives suitable for this sector.

We believe that we can achieve an increase at double figure percentage rates in the coming two years for our incoming order and sales, attributable to the projects and developments described above, to our innovative product ideas, the quality of the range on offer and our reliability in service. At the same time we assume that raw material prices and wage costs will only rise slightly against the current levels. Short-time working in our plant will end at the latest in the second half of the financial year 2011/12.

Our long-term cooperation both with quality-conscious manufacturers and suppliers brings us the opportunity of global marketing. We are convinced that even today it is possible to sell quality products at reasonable prices. This leads us to look forward to a really positive future overall.

Explanation of the positions on the annual financial statements as at 31st March 2011

I. Balance sheet

Assets

A. Fixed assets

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

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

I. Intangible assets

Licenses		€	477,931.00
	31st March 2010	€	467,606.00

Computing software licenses and patents are accounted for.

The carrying amounts have developed as follows:

	€
As at 31st March 2010	467,606.00
Additions	130,262.78
Depreciation	-119,937.78
As at 31st March 2011	477,931.00

II. Tangible Assets

1. Land and buildings

	€	1,814,843.44
31st March 2010	€	1,790,602.44

The information shown concerns the industrial premises including all buildings located in Bremen, Hastedt. The premises has a size of 3.3 hectares with a frontage of ca. 238 m.

The carrying amounts have developed as follows:

The carrying amounts apply to more land share in the sum of .

	€
As at 31st March 2010	1,790,602.44
Addition	110,625.69
Depreciation	-86,384.69
As at 31st March 2011	1,814,843.44

The carrying amounts apply to more land share in the sum of € 682,410,43.

2. Technical equipment and machinery

	€	2,616,249.00
31st March 2010	€	2,740,309.80

	€
As at 31st March 2010	2,740,309.80
Additions	366,228.64
Depreciation	-490,289.44
As at 31st March 2011	2,616,249.00

The additions are mainly a lot of tools and cuts, three cranes and a measuring system.

3. Other equipment, factory and office equipment

	€	718,513.00
31st March 2010	€	679,808.00

	€
As at 31st March 2010	679,808.00
Additions	283,666.98
Disposals	0.00
Deprecation	-244,961.98
As at 31st March 2011	718,513.00

Of the Additions, t€ 55 apply to low-value assets with a maximum value of € 1,000. These assets are depreciated straight-line over five years.

III. Financial Assets

Participating interests

	€	18,064.71
31st March 2010	€	18,064.71

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

B. Current Assets

I. Inventories

		€ 4,695,607.88
	31st March 2010	€ 5,648,604.88

	31st March 2011	31st March 2010
	€	€
1. Raw materials	2,470,276.00	2,300,796.00
2. Work in progress	5,166,785.00	8,363,674.00
3. Payments on account	209,870.37	626,075.63
4. Payments received on account	-3,151,323.49	-5,641,940.75
	4,695,607.88	5,648,604.88

To 1: Raw materials are administrated in form of a computer aided inventory accounting system and a framework of permanent inventory is applied. A deduction about t€ 317 was made.

To 2: Work in progress concerns a large amount (approx. 254) of unfinished orders. The valuation is based on cost prices less distribution costs and represents the maximum of the commercial accounting method.

To 3: This concerns conduced payments in advance to six suppliers.

To 4: An amount of € 2,071,440,08 from the payments received on account is covered by the prefabrication. So an amount of € 1,079,883,41 is without any consideration.

II. Receivables and other assets

1. Trade receivables

		€ 7,412,929.96
	31st March 2010	€ 9,751,552.47

	31st March 2011	31st March 2010
	€	€
Gross receivables	7,670,240.31	10,065,721.72
Provision for specific doubtful debts	187,046.74	227,046.74
General provision for doubtful debts	70,263.61	87,122.51
	7,412,929.96	9,751,552.47

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

Due to a general credit risk, general provision for doubtful debt in the amount of 1% of accounts receivables has been created, which is equivalent to the method applied in the previous year.

2. Receivables from shareholders

		€ 0.00
	31st March 2010	€ 391,375.73

3. Receivables from affiliated companies

		€ 341,055.00
	31st March 2010	€ 195,915.00

	31.3.2011	31.3.2010
	€	€
Kirlsokar Indien	241,455.00	195,915.00
Kirloskar Malaysia	99,600.00	0.00
	341,055.00	195,915.00

4. Receivables from companies in which the company has a participating interest

		€ 37,494.81
	31st March 2010	€ 0.00

The accounts receivables are for Electrical Machine Industries, Bahrain, and results mainly from a short-term loan.

5. Other assets € 334,455.12

31st March 2010 € 173,336.20

	31st March 2011	31st March 2010
	€	€
Claim against insurance premium	142,381.61	0.00
Tax on input	92,517.41	0.00
Short-time compensation	50,361.84	0.00
Tax on input foreign country	28,715.35	28,735.36
Suppliers with debit balances	12,603.48	18,126.85
Incentive claim against suppliers	3,956.77	16,200.00
Interest accrual savong accounts	2,389.66	1,373.27
Advances for travel expenses	1,479.00	1,560.00
Receivable tax office about trade tax 2008 + 2009	0.00	70,777.77
Security deposit automobile	0.00	9,758.55
Investment grant, 10% deduction by WfG	0.00	9,738.20
Others	50.00	17,066.20
	334,455.12	173,336.20

III. Cash and equivalents € 2,646,169.79

31st March 2010 € 2,926,973.59

	31st March 2011	31st March 2010
	€	€
Time deposits	2,592,330.79	2,881,799.84
Current account surplus	38,644.69	29,129.82
Cash	15,194.31	16,043.93
	2,646,169.79	2,926,973.59

The time deposits apply to six guaranty truster (31st March 2010: six).

C. Prepaid expenses € 237,781.62

31st March 2010 € 212,108.73

The information shown concerns mainly delimited rent-, leasing-, maintenance- and insurance expenses as well as the company g time accounts (negative hours).

D. Deferred taxes € 2,313,768.96

31st March 2010 € 0.00

The carrying amounts have developed as follows:

	€
As at 31st March 2010	0.00
First-time capitalization supplementary tax balance sheet	2,587,030.39
Differences provison for storage of business records between commercial balance sheet and tax balance sheet	-663.20
Capitalization trade tax loss carryforward	36,929.20
Dissolution from supplementary tax balance sheet	-309,527.43
As at 31st March 2011	2,313,768.96

The computation depends on a trade tax about 15,4 %. Further explanations are to be found under the position “capital reserves” at the liabilities.

Liabilities

A. Equity

I. Limited liability capital		€	3,330,000.00
	31st March 2010	€	3,330,000.00

The obligatory deposit consists of:

	31st March 2011	31st March 2010
	€	€
Kirsons B.V., Netherlands	3,160,000.00	3,160,000.00
Herr Dipl.-Ing. Berthold Groeneveld	170,000.00	170,000.00
	3,330,000.00	3,330,000.00

II. Capital reserves		€	2,333,260.39
	31st March 2010	€	55,757.43

The company took the option to capitalization the deferred taxes based on the changed regulations of the German commercial law. Mainly the assets of the Supplementary tax balance sheet are considered. The first-time recognition is carried out resulting in neither profit nor loss. The company withdraw the same amount from dissolution of the deferred taxes in support of the shareholder accounts. Further explanations are to be found under the position “deferred taxes” on the assets side.

III. Cumulated losses brought forward by limited partners		€	0.00
	31st March 2010	€	1,472,300.43
IV. Profit for the period		€	0.00
	31st March 2010	€	1,907,188.19

The profit for the year 2010/2011 is € 1,269,892,04. The profit goes directly to the shareholder accounts.

B. Provisions

1. Tax provisions		€	493.00
	31st March 2010	€	0.00

This position considered the trade tax for the financial year 2009/2010.

2. Other provisions		€	2,970,747.53
	31st March 2010	€	3,135,261.83

Provisions for:	31st March 2010	Utilisation	Allocation	31st March 2011
	€	€	€	€
Supplementary grant	761,914.00	761,914.00	721,251.00	721,251.00
Warranties	425,000.00	0.00	0.00	425,000.00
Vacation	358,032.00	358,032.00	353,208.00	353,208.00
Employer’s Liability	357,500.00	357,500.00	320,000.00	320,000.00
Outstanding invoices	370,000.00	370,000.00	300,000.00	300,000.00
Commissions	100,000.00	100,000.00	245,942.57	245,942.57
Contractual penalty	225,000.00	25,000.00	0.00	200,000.00
Flex-time account and overtime	205,015.83	205,015.83	141,766.00	141,766.00
Follow-up costs	86,000.00	18,000.00	49,220.00	117,220.00
Storage of business records	10,000.00	1,000.00	40,884.86	49,884.86
Audit fees	30,000.00	30,000.00	36,000.00	36,000.00
Compensation	100,000.00	100,000.00	0.00	0.00
Insurance premium	93,000.00	93,000.00	0.00	0.00
Other	13,800.00	13,800.00	60,475.10	60,475.10
	3,135,261.83	2,433,261.83	2,268,747.53	2,970,747.53

The supplementary grant contains special payment for the employees (t€ 442) as well as the holiday pay. The contractual penalty is for payments due to late distribution of the orders. The item "Flex-time account and overtime" mainly contains excess work-time of the employees at balance sheet date. The provision for commissions includes only provisions for orders received. The commissions are shown under other liabilities the year before.

C. Liabilities

1. Shareholder accounts		€	7,476,560.47
	31st March 2010	€	5,859,958.74

Further explanations are to be found at the annex 7.

2. Bank loans and overdrafts		€	5,399,992.49
	31st March 2010	€	8,582,580.01

	31st March 2011	31st March 2010
	€	€
Overdraft facility		
Bremer Landesbank	924,997.85	2,861,617.75
Deutsche Bank AG, Bremen	705,300.14	1,422,264.04
Commerzbank	557,080.86	2,431,929.50
	2,187,378.85	6,715,811.29
Loans		
Bremer Landesbank	1,800,000.00	900,000.00
Deutsche Bank AG, Bremen	1,083,000.00	249,800.00
CommerzReal	304,667.07	459,741.86
Kreissparkasse Verden	0.00	236,815.84
	3,187,667.07	1,846,357.70
Accrued interest	24,946.57	20,411.02
	5,399,992.49	8,582,580.01

Regarding to the valuation at balance sheet date balance confirmation received from banks was available. Details about remaining life and collaterals can be looked up in the notes (Annex 3).

3. Trade liabilities		€	1,961,902.70
	31st March 2010	€	2,549,388.40
4. Liabilities to general partner		€	2,195.79
	31st March 2010	€	2,132.05
5. Other liabilities		€	189,711.92
	31st March 2010	€	1,046,291.33

	31st March 2011	31st March 2010
	€	€
Liabilities from taxes		
Income and church tax	132,153.59	153,772.50
VAT	0.00	262,509.78
	132,153.59	416,282.28
Liabilities social security	10,423.30	8,771.25
Other		
Supplier incentives	19,912.00	0.00
Wages and salaries	7,516.00	0.00
Debtors on the credits side	90.00	4,311.15
Commissions	0.00	502,248.65
Benefit EU-Project Wingy-Pro	0.00	100,628.34
Other	19,617.03	14,049.66
	47,135.03	621,237.80
	189,711.92	1,046,291.33

The commissions are shown under other provisions the first-time.

II. Profit and loss account

	1st April 2010 to 31st March 2011	1st April 2009 to 31st March 2010
1. Sales	€	€
Sales domestic	25,455,882.06	30,670,969.07
Sales non-domestic	18,255,233.20	20,284,061.30
	43,711,115.26	50,955,030.37
Sales reduction, cash discounts domestic	193,496.13	110,197.36
Sales reduction, cash discounts non-domestic	8,517.20	18,318.85
	202,013.33	128,516.21
	43,509,101.93	50,826,514.16
2. Changes in work in progress	- 3,196,889.00	- 3,095,455.00
3. Other own work capitalized	21,735.75	270,697.00
4. Other operating income		
Income relating to other periods		
Gains from write-offs of liabilities	150,715.28	0.00
Insurance refunds	53,170.75	0.00
Dissolution of provision for specific doubtful debt	40,000.00	124,310.34
Dissolution of provisions	4,824.00	0.00
Foreign currency gains	912.49	830.58
Other income related to other periods	22,209.79	35,907.64
	271,832.31	161,048.56
Other operating income		
Benefits EU-Project Wingy-Pro	201,256.68	0.00
Insurance refunds	195,654.05	248,394.96
Rental income	65,632.08	79,221.08
Renumeration in kind	38,204.14	24,432.65
Changes in provision for penalties	25,000.00	0.00
Dissolution of provision for general doubtful debt	16,858.90	0.00
Changes in provision for follow-up costs	0.00	156,500.00
Other	44,215.82	14,890.30
	586,821.67	523,438.99
	858,653.98	684,487.55
5. Cost of materials		
a) Cost of raw materials, consumables and goods for resale	13,678,390.25	16,115,681.30
Cash discounts received	159,830.72	101,443.93
	13,518,559.53	16,014,237.37
b) Cost of purchased services	3,551,314.08	5,315,113.67
	17,069,873.61	21,329,351.04

	1st April 2010 to 31st March 2011	1st April 2009 to 31st March 2010
6. Personnel expenses	€	€
a) Wages and salaries		
Wages and salaries	11,481,501.66	12,316,129.07
b) Social security		
Employer's contribution to social security	2,173,718.30	2,072,114.00
Employer's Liability Insurance		
Association contribution	223,285.78	300,000.00
	2,397,004.08	2,372,114.00
	13,878,505.74	14,688,243.07
7. a) Depreciation of fixed intangible and tangible assets	941,573.89	831,939.81
7. b) Depreciation on exceptional amounts written off current assets	0.00	350,000.00

It concerns diminished movement rate adjustments to the stock of raw materials.

	1st April 2010 to 31st March 2011	1st April 2009 to 31st March 2010
8. Other operating expenses		
Other periods and nonoperating expenses		
Write-off debts	0.00	124,310.34
Other expenses related to other periods	89,076.66	59,774.50
	89,076.66	184,084.84
Repairs and maintenance	516,811.91	473,723.67
Other operating expenses		
Power and fuel	863,593.69	730,720.88
Travel expenses	662,649.63	534,143.71
Insurance	564,141.53	951,726.53
Workman and staff welfare expenses	293,377.18	297,033.37
Manufactoring expenses and sundries	232,019.08	262,428.49
Rent and leasing	197,143.40	152,248.55
Leasing staff	117,964.29	268,582.92
Royalties	77,055.38	74,047.50
Placement in other provisions	40,865.10	0.00
Subscription to the technical associations	38,332.50	38,487.89
Placement in the provision for follow-up costs	31,220.00	0.00
Maintenance of vehicles	25,245.51	30,224.90
Penalties	6,857.10	103,918.00
Foreign currency losses	1,580.00	1,555.75
Placement in the guarantee provision	0.00	200,000.00
	3,152,044.39	3,645,118.49
Administrative expenses		
Legal and consulting costs	896,749.42	714,441.00
Computing expenses	362,744.82	618,041.00
Auditers Remuneration	70,886.11	70,205.50
Telephone and postal charges	66,039.83	56,496.95
Bank charges	58,052.01	85,080.42
Placement in provisions of storage of busines records	48,728.00	0.00
Printing and stationary	28,217.03	41,045.18
Donations	19,350.00	23,071.18
	1,550,767.22	1,608,381.23

Annex 5

		1st April 2010 to 31st March 2011		1st April 2009 to 31st March 2010
		€		€
Amount carried forward		5,308,700.18		5,911,308.23
Selling expenses				
Selling expenses		851,885.67		1,077,306.94
Commissions		553,314.09		1,261,803.54
Advertising costs		98,851.81		102,495.65
Entertainment expenses		34,299.93		33,312.88
		1,538,351.50		2,474,919.01
		6,847,051.68		8,386,227.24
9. Other interests receivables and similar income		23,576.54		18,164.63
10. Interests and similar expenses				
Interests				
for shareholder loan		285,841.58		284,312.07
for short-term liabilities		276,801.91		510,295.91
commission of bank guaranty expenses		227,533.55		198,908.56
for loan		74,570.07		84,377.87
other		1,504.00		0.00
		866,251.11		1,077,894.41
11. Ordinary operating results		+ 1,612,923.17		+ 2,040,752.77
12. Income taxes				
Trade tax actual year	-	273,261.43		0.00
Trade tax prior years	-	489.20	-	68,775.80
	-	273,750.63	-	68,775.80
13. Other taxes				
Land tax	-	66,908.32	-	61,501.28
Car tax	-	1,799.00	-	2,917.00
Other operating taxes	-	573.18	-	370.50
	-	69,280.50	-	64,788.78
14. Profit for the year	+	1,269,892.04	+	1,907,188.19

Basic Principles of Corporate Law
(Status 31st March 2011)

Company	Lloyd Dynamowerke GmbH & Co. KG, Bremen
Legal Form	Private Limited Partnership
Associates	Lloyd Beteiligungs-GmbH, Bremen (General Partner) Kirsons B.V., Amsterdam, Netherlands (Limited Partner) Mr Berthold Groeneveld, Weyhe (Limited Partner)

Capital shares of the personally liable associates	€ 0.00	
Capital shares of the limited partners	Kirsons B.V.	€ 3,160,000.00
	Berthold Groeneveld	€ 170,000.00
		€ 3,330,000.00
Seat	Bremen	
Objective of the company	The objective of the company is aimed at the development, production and distribution of electrical and electronic Machines and apparatuses of all kinds,	
a)	Participation irrespective of the legal form - in industrial- and commercial enterprises, also the take over of the management and administration of a business of the type mentioned under a),	
b)	Any other appropriate commercial utilisation of the company assets	
Articles of Association	28. September 2006, last changes from 15. January 2009	
Commercial Register Entry	Local Court of Bremen A 22689	
Management	Lloyd Beteiligungs-GmbH (Managing Director: Herr Berthold Groeneveld)	
Financial Year	1st April - 31st March	

Shareholder accounts
from 1. April 2010 to 31. March 2011

	Limited liability capital			liabilities to shareholders		
	Kirsons B.V.	Hr. Groeneveld	Total	Kirsons B.V.	Hr. Groeneveld	Total
	€	€	€	€	€	€
1. April 2010	+ 3,160,000.00	+ 170,000.00	+ 3,330,000.00	+ 5,859,958.74	+ 0.00	+ 5,859,958.74
Interest shareholders loan	+ 0.00	+ 0.00	+ 0.00	+ 285,841.58	+ 0.00	+ 285,841.58
Contribution shareholder loan				+ 80,000.00	+ 0.00	+ 80,000.00
Allowable				- 300,000.00	+ 0.00	- 300,000.00
Loan as at 31.3.2011	+ 3,160,000.00	+ 170,000.00	+ 3,330,000.00	+ 5,925,800.32	+ 0,00	+ 5,925,800.32
Shareholder clearing accounts 1,4,2010				- 369,628.76	- 21,746.97	- 391,375.73
Profit for the year 2009/2010				+ 1,809,.824.23	+ 97,363.96	+ 1,907,188.19
Profit for the year 2010/2011				+ 1,205,062.72	+ 64,829.32	+ 1,269,892.04
Cumulated losses brought forward by limited partners				- 1,388,542.79	- 83,757.64	- 1,472,300.43
Distribution of result after clearing the commulated losses				+ 1,256,715.39	+ 56,688.68	+ 1,313,404.07
Allowable withholding tax China				- 86,639.04	- 4,660.96	- 91,300.00
Allowable other taxes				- 3,093.04	- 166.40	- 3,259.44
Other allowable / contribution				+ 30,800.00	- 8,411.91	+ 22,388.09
Contribution from capital reserves				+ 293,725.73	+ 15,801.70	+ 309,527.43
Shareholder clearing accounts 31.3.2011	+ 0.00	+ 0.00	+ 0.00	+ 1,491,509.04	+ 59,251.11	+ 1,550,760.15
Total Shareholder accounts				7,417,309.36	59,251.11	7,476,560.47

LLOYD BETEILIGUNGS-GmbH

BREMEN

Audit Report
Financial Statement for the period 1st April 2010 to 31st March 2011

1. Audit assignment

From the management of

"Lloyd Beteiligungs-GmbH, Bremen"

(also referred to in the following as " Company")

we were selected as the auditor for the accounts for the period 1st April 2010 to 31st March 2011. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for 31st March 2011 (Annex 1 - 3)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2010 and provided/issued an unrestricted audit certificate.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for accounts (IDW PS 450).

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 5. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

With regard to the assessment given by legal representative, we refer in particular to the management report which in our opinion provides a detailed and comprehensive description of the situation and outlook. We consider the representation and assessment of the company's situation and its prospective development by the management in the statement of accounts to be appropriate and accurate.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting and statement of accounts (balance sheet). The statement of accounts was drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The audit was carried out during the period from 11th April 2011 until 29th April 2011.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. sqq. German Commercial Code (HGB) and the German legal execution of accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping and the statement of accounts (balance sheet) are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB).

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the financial statement, making it possible for us to assess the business risks as well as our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the statement of accounts/balance sheet. The main emphasis of our audit, method and scope of the auditing procedures as well as the time-related and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting and statement of accounts.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents and the statement of accounts correspond to the legal rules and the supplementary regulations of the partnership agreement.

4.1.2. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting and statement of accounts that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.3. Statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The statement of accounts is appropriately derived from the previous year's statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.2. Overall statement of the balance sheet

The balance sheet for 31st March 2011 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

All accounting and assessment methods used by the company are given in the appendix (Annex 3).

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version

Based on the result of our audit, we have provided the accompanying statement of accounts (Annex1-3) dated 31st March 2011 of Lloyd Beteiligungs-GmbH, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Lloyd Beteiligungs-GmbH for the period 1st April 2010 to 31st March 2011. The maintenance of the books and records and the preparation of the financial statements in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Bremen, 29th April 2011

WSG Hanseatische Treuhandgesellschaft mbH

Wirtschaftsprüfungsgesellschaft

signed Gerstmayr	signed Senge (Seal)	
German Public Auditor	German Public Auditor	(Seal)

* * *

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:
Bremen, 29th April 2011

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Gerstmayr	Senge	
German Public Auditor	German Public Auditor	(Seal)

Balance Sheet as at 31st March 2011 Exhibit-1

Assets

		31st March 2011 €	31st March 2011 €	31st March 2010 t€
A.	**Current Assets**			
I.	**Receivables and other assets**			
1.	Receivable from companies in which the company has a participating interest	2,195.79		2
2.	Other assets	910.20		1
			3,105.99	
			35,013.81	34
II.	**Cash and equivalents**		38,119.80	37

Liabilities

		31st March 2011 €	31st March 2011 €	31st March 2010 t€
A.	**Equity**			
I.	Subscribed capital	25,000.00		25
II.	Unappropriated profits brought forward	11,596.49		11
III.	Profit for the period	1,523.31		1
			38,119.80	
			38,119.80	37

Exhibit 2

Profit and loss account for the Period 1st April 2010 to 31st March 2011

		1st April 2010- 31st March 2011 €	1st April 2009- 31st March 2010 €
1.	Other operating income	2.195,79	2.194,05
2.	Other operating expenses	386,10	931,99
3.	Ordinary operating results	1.809,69	1.262,06
4.	Other interest and similar income	0,00	0,00
4.	Income taxes	286,38	199,72
5.	Profit for the period	1.523,31	1.062,34

Explanatory notes for the financial statements as at 31st March 2011 Exhibit-3

General Information

Preliminary note to the report

The annual report was prepared according to § 264 Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Beteiligungs-GmbH is a small company according to § 267 Art. 3 German Commercial Code (HGB).

For the income statement the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Receivables and other assets are recorded at historical cost or face value.

Liabilities are basically recorded at amounts to be repaid.

Notes to balance sheet items

1. Receivables and other assets

All receivables and other assets have a remaining useful life of less than one year.

2. Equity

Subscribed capital amounts to EUR 25.000,00. The capital was completely paid-in at balance sheet date.

Other information

1. **Shareholder**
   Kirsons B.V., Amsterdam, Netherlands, is the shareholder.
2. **General partner**
   Lloyd Beteiligungs-GmbH is the unlimited liable general partner of the Lloyd Dynamowerke GmbH & Co. KG, Bremen**.**
3. **Consolidated financial statement**
   The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Co. Ltd., Bangalore. The end of period will be the 31.3. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.
4. **Managing director**
   Managing director for the Lloyd Beteiligungs-GmbH were in 2010 / 2011:
   Dipl.-Ing. Berthold Groeneveld, Weyhe
   Bremen, in April 2011

Exhibit-4

Explanation of the positions on the review of the financial statements for the period 1st April 2010 to 31st March 2011

I. Balance sheet

Assets

B. Current Assets

I. Receivable and other assets

1. Receivable from companies in which the company has a participating interes

		€ 2.195,79
	31st March 2010	€ 2.132,05

The accounts receivable are for Lloyd Dynamowerke GmbH & Co. KG, Bremen.

2. Other assets

		€ 910,20
	31st March 2010	€ 542,50
Receivable tax office corporate income tax	910,20	542,50
	910,20	542,50

II. Cash and equivalents

		€ 35.013,81
	31st March 2010	€ 33.921,94
	31st March 2011	31st March 2010
	€	€
Current account surplus	35,013,81	33,921,94

Liabilities

A. Equity

I. Subscribed capital		€ 25.000,00
	31st March 2010	€ 25.000,00
II. Unappropriated profits brought forward		€ 11.596,49
	31st March 2010	€ 10.534,15
III. Profit for the period		€ 1.523,31
	31st March 2010	€ 1.062,34

II. Income statement

		1st April 2010-31st March 2011
		€
1. Other operating income		
General partner fees		2.195,79
2. Other operating expenses		
Legal and consulting fees		386,10
3. Ordinary operating results	+	1.809,69
4. Income taxes		
Corporate income tax	+	286,38
5. Profit for the period	+	1.523,31

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