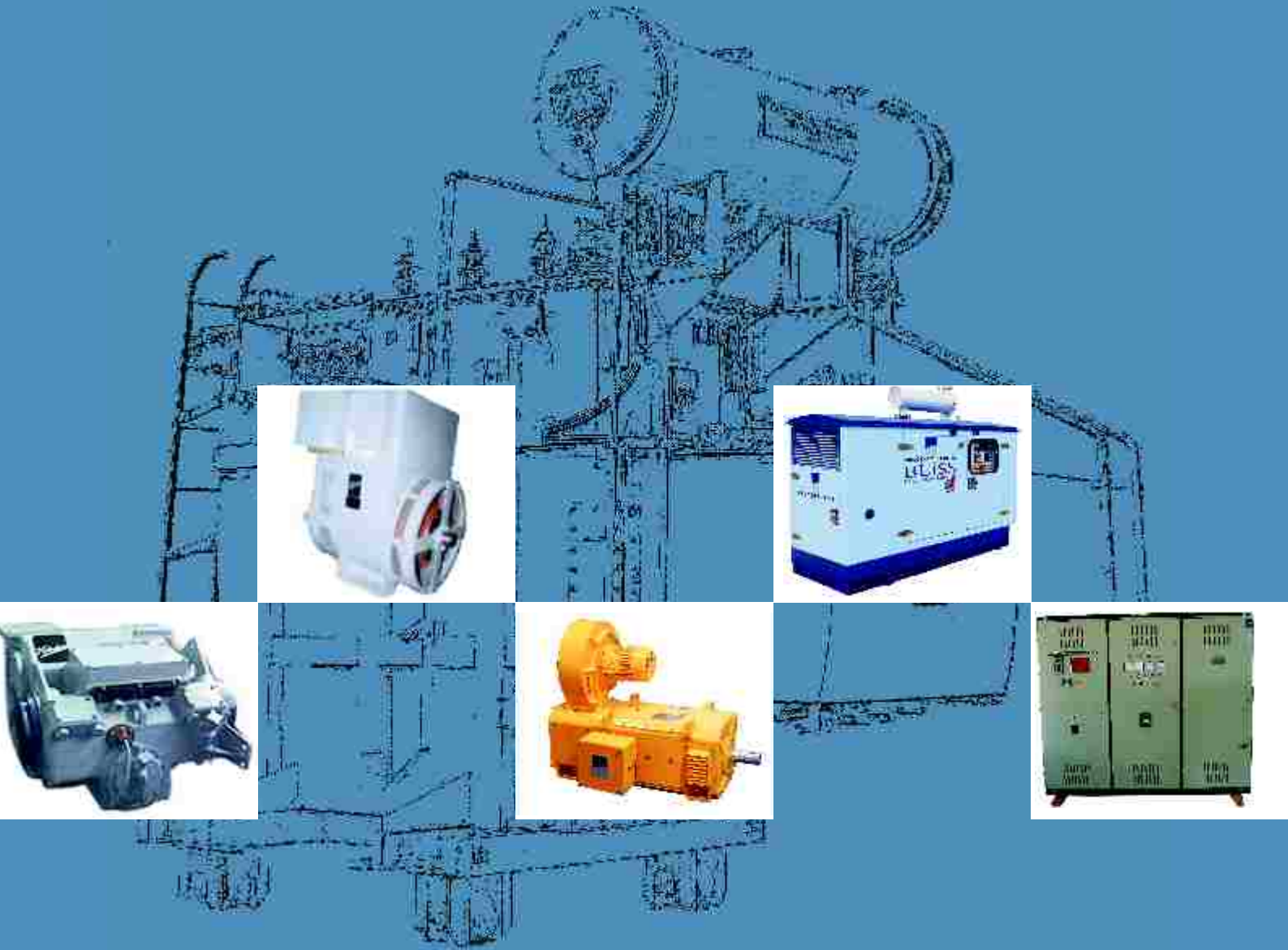
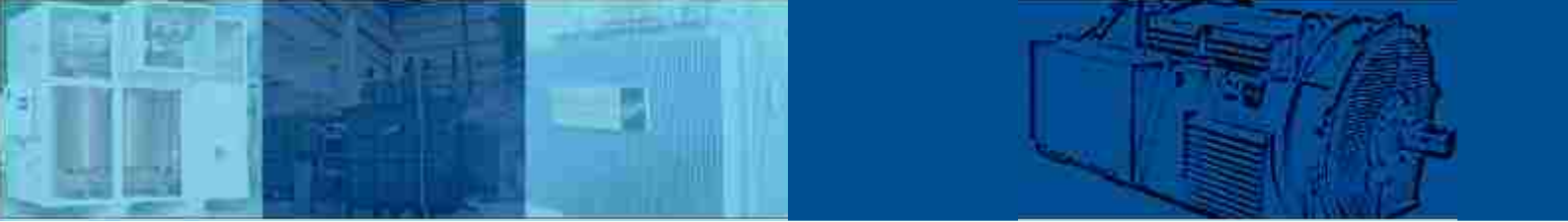


KIRLOSKAR ELECTRIC COMPANY LTD.



63rd ANNUAL REPORT 2009-2010

Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended 31st March, 2010



KIRLOSKAR ELECTRIC COMPANY LIMITED

BOARD OF DIRECTORS

Vijay R. Kirloskar
Chairman & Managing Director

P.S. Malik
Jt. 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

COMPANY SECRETARY

P.Y.Mahajan

AUDITORS

B.K.Ramadhyan & Co.
Bangalore

BANKERS

Axis Bank
Bank of India
State Bank of Mysore
State Bank of Travancore
The Bank of Rajasthan Ltd
Bank of Commerce, Kualalumpur (Malaysia)

REGISTERED OFFICE

Industrial Suburb, Rajajinagar
Bangalore 560 010

FACTORIES

Govenahalli, Thyamagondlu, Bangalore
Belvadi Industrial Area, Mysore
Gokul Road, Hubli
Hirehalli Industrial Area, Tumkur
Kondhapuri, Pune
Nagar Road, Pune
Kachenahalli, Bangalore
Tumkur Road, Bangalore
Gabbur, Hubli
Yeshwanthpur, Bangalore
Dulagarh, Kolkatta



BOARD OF DIRECTORS



Vijay R. Kirloskar
Chairman & Managing Director



P. S. Malik
Joint Managing Director



A. S. Lakshmanan



S. N. Agarwal



Anil Kumar Bhandari



Sarosh J. Ghandy



V. P. Mahendra



Kamlesh Gandhi



Berthold Groeneveld



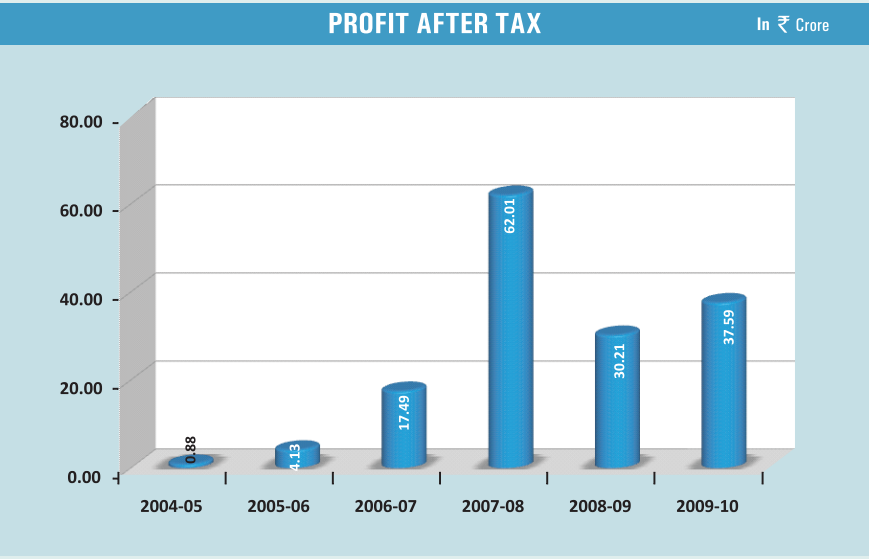
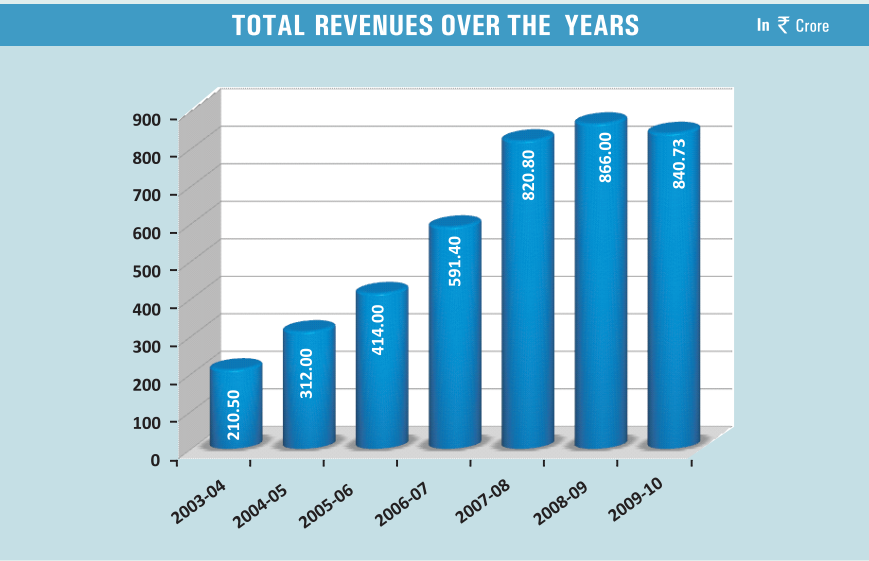
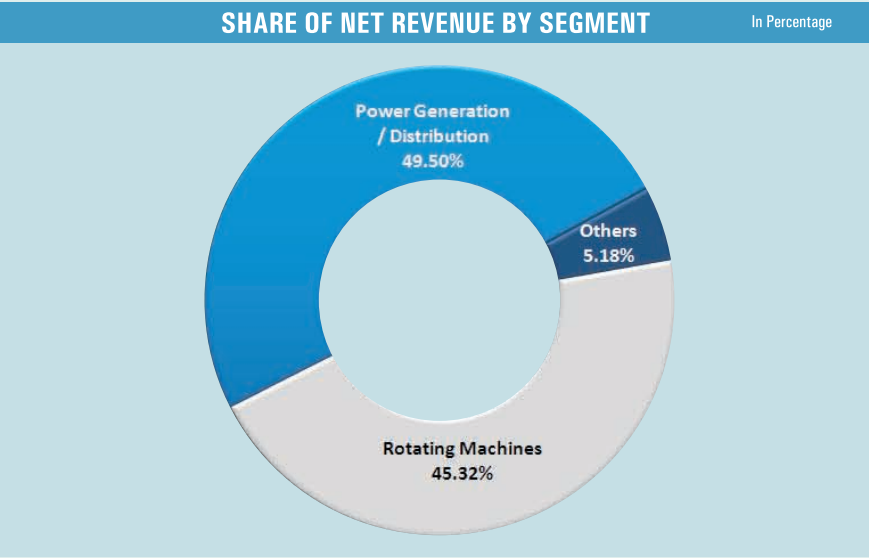
D. Devender Singh
LIC Nominee

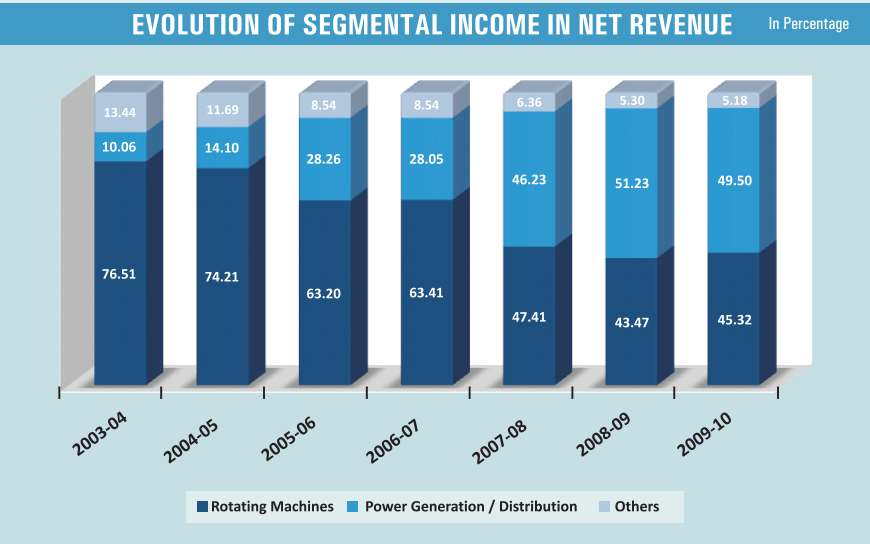
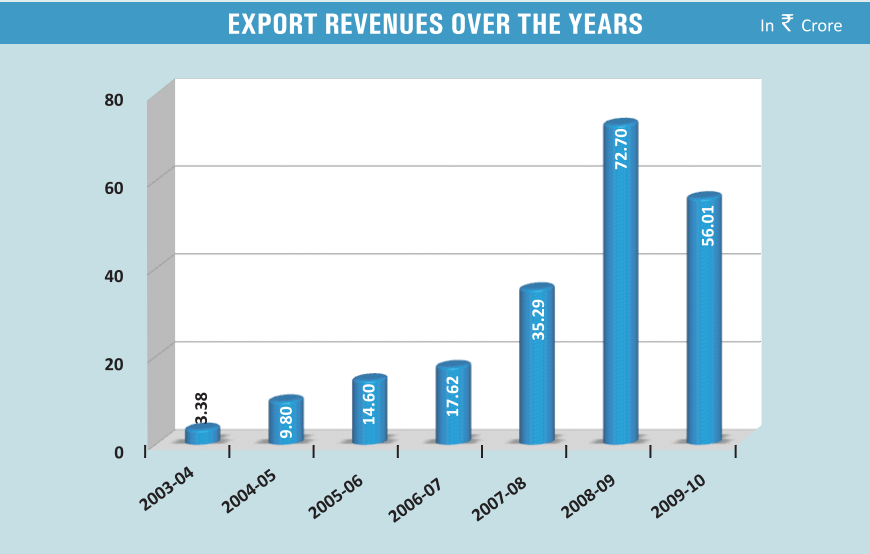
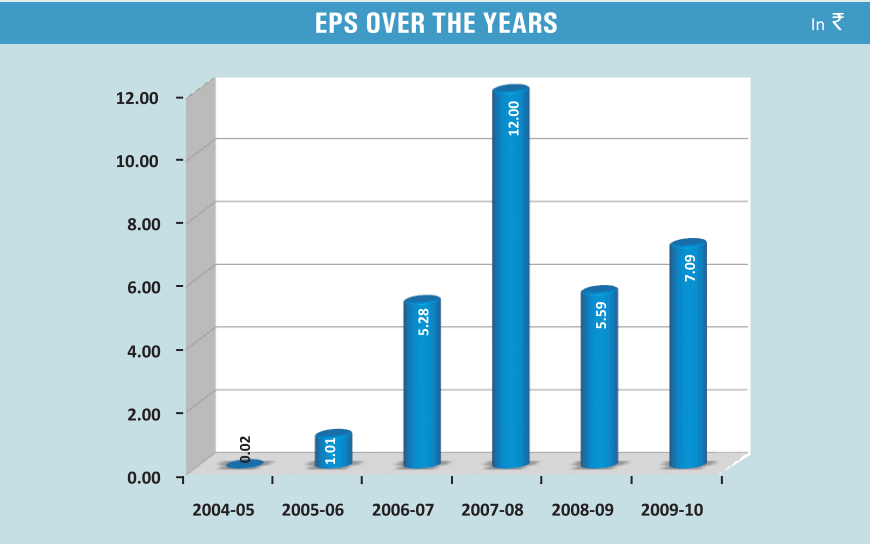


Meena Kirloskar



FINANCIAL SUMMARY







Ladies and Gentlemen,

**I am pleased to present the
63rd Annual report of your company.**

I am pleased to announce the impressive performance of your company in FY2009-10. The Turnover amounted to Rs. 840.73 Crores compared to Rs. 866.65 Crores in 2008-09. The Net profit was higher at Rs. 37.59 Crores as compared to Rs. 30.21 Crores in 2008-09 on standalone basis. The turnover was Rs. 1182.85 Crores with a profit after tax of Rs. 50.96 Crores on Consolidated basis.

The year 2009-10 was a challenging one for all of us. The World Economy is on the recovery path due to the support of financial stimuli from various Governments and multilateral financial Institutions across the globe.

The world economy is yet to come out of the slowdown and the conditions of the growth seen in the recent past are fragile due to subdued consumer and investment demand in the developed countries. Emerging Economies have faced a sharp drop in bank credit and sharp contraction of demand due to low consumer spending in developed countries. Stronger recovery is expected and seen from the Asian countries. India has been on the rebound from the recession and has been growing at the rate of 7.4% in 2009-10

In Europe, our subsidiary LDW has done a decent job this year despite Germany being deeply affected by the recession.

LDW has shown a performance of € 50.82 Million a fall of 8.76% over the previous year. This is partly due to the German economy shrinking by over 5% in 2009-10 over 2008-09. This was attributed to fall in investor confidence and reduced consumer spend across the world affecting Engineering goods demand and exports.

Coming to India, as per estimates, the Indian economy has registered a growth of 7.4% in 2009-10, with 8.6 per cent year-on-year (y-o-y) growth in its fourth quarter.



The growth is driven by robust performance of the manufacturing sector on the back of government and consumer spending. GDP growth rate of 7.4% in 2009-10 has exceeded the government forecast of 7.2% for the full year as compared to 6.8% in 2008-09.

According to Government data, the manufacturing sector witnessed a growth of 16.3 % in January-March 2010, from a year earlier. Capital goods production grew by 72.8 per cent against a contraction of 5.9 per cent a year ago.

The cautious but firm revival across the main sectors, i.e. Agriculture, Industry and services in 2009-10 was due to the stimulus packages announced by the Government of India. These packages boosted the Investor confidence in brand India and had a positive impact on the various stakeholders. You would recall that the turnaround started from Q2 of 2009-10 when Industry and Services experienced robust growth resulting in a 7.9% growth rate for Q2.

Your company has shown a performance as mentioned elsewhere of Rs. 840.73 Crores with PAT of Rs. 37.59 Crores. The turnover was Rs. 1182.85 Crores with a profit after tax of Rs. 50.96 Crores on Consolidated basis. This overall growth was possible due to concerted efforts and continuous monitoring of operations in this challenging year.

Your company manufactures and deals in Electrical machinery for the Industry in general. We expect to benefit from the huge investments that the GOI is making in the Infrastructural sector. This includes the Power Generation, Transmission & Distribution space and final distribution, which is being progressively liberalized for private investment.

HIGHLIGHTS OF 2009-10

- ♦ Biggest rating of 220 kV Transformer manufactured from Mysore. One no. 62.5MVA, 220/34.5/11kV for AARESS STEELS, Hospet through SIEMENS.
- ♦ One no. 40MVA, 220/11kV for Jindal Steel and Power Limited, Raigarh.
- ♦ 40/50MVA, 66kV transformer exported to INDONESIA.
- ♦ 3150KVA, 11 kV Distribution Transformer with corrugated construction exported to MALAYSIA
- ♦ 10 MVA, 33/22 kV POWER TRANSFORMER for MSETCL successfully passed short circuit test at CPRI
- ♦ 8000AMPS, 33kV Neutral Grounding

Transformers



Transformer supplied to UTTAM GALVA

- ♦ 12.5MVA, 33 kV Converter Duty Transformer supplied to JSW
- ♦ 17 MVA, 33kV ARU (Active Rectifier Unit) TRANSFORMERS TO FLS TISCO used as Converter duty Transformer.



With the Govt. laying an ambitious plan to add 78,577 MW in the 11th five year plan, which is likely to trigger major investments from both the Public and Private sector players. The total capacity addition in FY2010-11 is projected at 20,360 MW by the Planning Commission of India. The 12th plan maintains the growth at 82,200 MW including 42,200 MW in the thermal space.

Power supply continues to a basic issue for India today with the deficit being tagged at 12%. The private sector contributed 4,287 MW or 45% of the 9,585 MW capacity addition in 2009-10. The central and state sector utilities have contribute 5,298 MW during the period.

As is known every 1MW of Power generation needs 7 MW in transmission equipment.

This sector will be our main customer for our Transformer and allied products. We are progressively going for both higher capacity and kV Class ratings in our Power transformers. This year we have successfully manufactured and commissioned our first 220kV transformers. A 63MVA 220/34.5/11kV for AARESS STEELS, Hospet through SIEMENS, and another for 40MVA 200/11kV power transformer for JSPL.

The increasing investments in industrial sector especially Ferrous and Steel, Cement and Fertilizers will see a spur in demand for our Motor product lines.

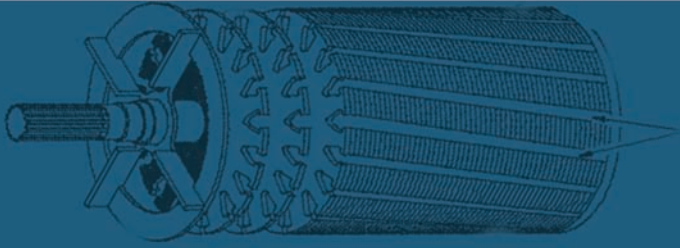
Nuclear Power sector is on the rise in India with 4 new plants under construction. India now envisages increasing the contribution of nuclear power to overall electricity generation capacity from 4.2% to 9% within 25 years. In 2010, India's installed nuclear power generation capacity will increase to 6,000 MW as part of the plan to reach generation capacity of 20,000MW by 2020.

Electronics



HIGHLIGHTS OF 2009-10

- ◆ Kirloskar Electric Co Ltd., Electronics Division Mysore, Installed 630kW, 415V, AC Drive for roughing stand of Steel Rolling Mill Application at Aashiyana Rolling Mill, Ahmedabad. We are the first company to have installed AC drive for such application in India on Slip ring Induction Motor
- ◆ Kirloskar Electric Co Ltd., Electronics Division Mysore, Installed 560kW, 415V, AC Drive for Zero Mill of Sugar Mill Application at Vikas SSK, Latur. Most of the new sugar mills are running with AC drives.



The Indian Nuclear Power Industry is on a path of significant expansion in the coming years, thanks in part to the passing of the Indo-US nuclear deal. This agreement will allow India to carry out trade of nuclear fuel and technologies with other countries and significantly enhance its power generation capacity. When the agreement goes through, India is expected to generate an additional 25,000 MW of nuclear power by 2020, bringing total estimated nuclear power generation to 45,000 MW.

It is a matter of pride and humility when I say that we are working with Nuclear Power Corporation of India for development of special motors. I expect this to take us a long way into the sunrise sector of Nuclear power in India and around the world. We are the only company to be given this opportunity in India, other than BHEL.

As part of our contribution to the growing Eco consciousness and Electric Vehicles development worldwide, aimed at developing a sustainable mode of mass transport by reducing the Vehicular Pollution, we have been supplying the propulsion systems for the Electric Cars made by Reva. I am proud to say that these cars, sold widely in Europe, have seen our drive system running flawlessly for the past 8 years.

We have successfully developed a small electrical drive system for an Autorickshaw at our Development center at the Hubli Unit. We are working to get to the other manufacturers with the same intent for Indian and global market. We are partnering a few Indian Automotive Manufacturers in this venture to develop such eco friendly vehicles for the mass market.

We continue to supply our Electrical systems to Reva after the recent change in management and are supplying the similar systems to the new owners, Mahindra & Mahindra for their other projects.

As for orders for LDW motors in India, we have bagged 6 no 8MW Motors from Essar of which 3 are under execution, through a pump manufacturer to IOCL Haldia, Chennai Petrochemical limited, and are in the process of enlisting LDW in EIL for possible orders from GNFC, for their new projects.

The AC Motors group has developed new motors for the newer applications like Automated parking systems that are being built to address the parking problems in Metros and Major cities.

The Industrial Electronics group of your company has successfully designed and installed a 630kW, 415V, AC Drive for roughing stand of Steel Rolling Mill Application on a Slip ring Induction Motor, the very first of its kind anywhere.





The Switchgear group has designed and manufactured 33kV 1600 Amps 26.2kA Vacuum Circuit Breaker. We also have designed and executed 750kVA 11kV package substation with both Cast Resin and Oil Filled Transformers.

The Power Generation Group has increased the DGSet range to 500kVA. Now we cover the entire range of customer demand from 12.5kVA to 500kVA.

We have supplied customised generators for the latest class of stealth ships being commissioned in the Indian Navy.

We have expanded our product portfolios in other product areas and have expanded geographically by opening new office in areas with high business potential. With this backdrop we hope to consolidate our position through the year 2010-11.

As part of our cause for gender empowerment/ equality and Inclusion, we have consciously been employing more women from the underprivileged sections of society into our workforce. This is true especially in the new Gabbur unit where the majority of them are employed. We have taken this decision to address issues of social equality and the thrust the Government is putting on Women empowerment. We are very pleased with the productivity and quality of their output.

Coming to the Corporate Social Responsibility, The Kirloskar Electric Charitable Trust founded and manages the Ravi Kirloskar Memorial Hospital in Peenya, the prime Industrial hub of Bangalore. This hospital has the best of facilities and provides the best healthcare to the people living in the area at nominal costs.

HIGHLIGHTS OF 2009-10

AC Motors

- ♦ Group II C Flame Proof Motors from 63 to 355 Frame supplied through M/S. Bharat Pumps and Compressors Ltd, Naini, M/S. KSB Pumps and Kirloskar Ebara Pumps, Pune, Jord Engineering and ITT Corporation, Baroda to various IOCL Projects.
- ♦ Roller Table Motors from 112 to 250 Frames to Essar Construction, Bhilai Steel, Bokaro Steel, Tata Steel and Rourkela Steel Plants.
- ♦ 24kW Motor in SC180L Frame to Bangalore Metro supplied through Faively Transport, Hosur.
- ♦ 0.37kW and 0.55kW Loom Motors in RL100L Frame For Textile Application A/C. B.T.Hand Processors, Ind
- ♦ 3.3kW in BPB100L Frame Yaw Motors A/C. Enercon for Wind Mill Application.
- ♦ 1.1kW In PM90I For High Mast Lighting Pole Application A/C. Utkarsh Tubes, Calcutta.
- ♦ 0.12kW in BPM 63 Frame and 0.75kW Motors in BPM80 Frame For On-Line Tap Changer Units A/C. CTR Manufacturer, Pune
- ♦ 0.55kW in Bpm71 Frame and 0.75kW Motors in BPM80 Frame On-Line Tap Changer Units A/C. EasunMR, Chennai
- ♦ 0.12kW Cheese Winder Motors in CPM 71 Frame A/C. JP Industries, Surat.
- ♦ Motors suitable for Inverter Duty Application with Forced Cooling for both 415 V and 660 V from 63 to 315 Frames.
- ♦ Brake Motors from 63 to 280 Frames to Various Customers.



Your company continues to be led by strong and motivated human resources. The company believes in ongoing training and development of its employees, while improving their skill sets, keeps them abreast of the evolving latest international technologies, to meet the emerging challenges in the market place and rising customer expectations. We are working on starting our own Training Center for imparting the special skills needed to overcome the severe shortage, of trained young workforce, plaguing the Indian Electrical Industry. We are focused as much on development of managerial skills to ensure the availability of top class talent to meet the ambitious growth and expansion plans of the company.

I am glad to announce that your company has entered into new wage agreements for our Hubli and Tumkur units.

I have enjoyed unstinted support from all the investors of Kirloskar Electric. I would take this opportunity to express my gratitude to the Board, Banks and Financial institutions, Customers and Shareholders for their continued confidence and all the employees for their support.

With hopes for a Better and Brighter tomorrow

Vijay R Kirloskar
Chairman and Managing Director



- ♦ 8 kW in CM132 Frame, 52v, 65hz nominal to 170 Hz Max Frequency and speed range of 1850 To 5000 RPM Motor Suitable For Electric Vehicle For Mahindra And Mahindra, Nasik.
- ♦ 0.37 kW 415v 50 Hz in AM71 Frame Actuator Motors.
- ♦ 2.5 kW Vibrator Motor in VB180 Frame.
- ♦ 2.4/1.5kW 4/6 Pole and 2.2/1.5kW 4/8 pole, CL 'H' Insulation Surface Cooled

Motors In CPM100L Frame to M/S. KTTM, Bangalore for Textile Application.

- ♦ 0.75kW in BPM90L Frame, 3.7 kW in BPM132 Frame, 2.2 kW in BPM112 Frame, 5.5 kW in BPM160 Frame Surface Cooled IP67 Actuator Motors with CPRI Certificate for IP67 Protection for United Technomech, Mumbai.
- ♦ Dustbin Blower Motors for Railways.



DIRECTORS' REPORT
TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2010

To
The Shareholders
Your Directors present the Company's 63rd Annual Report with the Audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended 31st March, 2010.

Results of Operations

	Rs. in million	
	2009-10	2008-09
Income	8407.3	8666.6
Expenditure	6151.3	6674.9
Gross Profit	2256.0	1991.7
Operating expenses	1499.7	1340.2
Operating Profit before interest and depreciation	756.3	651.5
Interest	225.7	225.3
Depreciation, amortisation and provisions	175.6	165.1
Operating profit before tax and extraordinary items	355.0	261.1
Other income (net)	119.5	87.4
Net profit before tax and extraordinary items	474.5	348.5
Extraordinary Income(Expenditure)	6.4	0
Net profit before tax and after extraordinary items	480.9	348.5
Provision for taxation	105.0	46.4
Net profit after tax and after extraordinary items	375.9	302.1

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of Rs.9.05 billion (previous year Rs. 9.63 billion). The operations have resulted in a net profit of Rs. 375.93 million (previous year Rs. 302.12 million).

Industry Outlook

The Electrical Industry has been witnessing consistent growth during last few years but for rather dull performance 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 and the industrial revival is sustained, the Electrical Industry can perform well.

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.

Kirsons B.V., your subsidiary has achieved a turnover of Euro 0.93 lakhs. The operations have resulted in net loss of Euro 3.51 lakhs.

Subsidiary Companies

The Company as of March 31, 2010 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, 2010 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 include 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 Director's Report.

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.V.P.Mahendra, Mr. Kamlesh Gandhi and Mr.Anil Kumar Bhandari retire by rotation and being eligible offer themselves for re-appointment.

The Board of Directors have at their meeting held on 10th July, 2010 re-appointed Mr.Vijay R Kirloskar as Managing Director for a period of five years from 17.8.2010, subject to approval of shareholders and such other approvals as may be required.

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, 2010 and of the Profit and Loss Account for the year ended 31st March, 2010.
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

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.

Segmentwise Operational Performance

Rotating Machine Group

During the year under review the sales under Rotating Machine Group amounted to Rs. 7536.26 million as against Rs. 6436.84 million.

Power Generation Equipment Group

During the year under review the sales under Power Generation Equipment Group amounted to Rs. 4496.14 million as against Rs. 4933.07 million.

Others

During the year under review the sale of other Electrical Products amounted to Rs. 444.49 million as against Rs. 510.13 million.

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 shareholdings 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, 2010 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 50.83 million with a net profit after tax of Euros 1.91 Million.

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

The Company has implemented MYSAP ECC 6.0 in all the major manufacturing units and rest will be covered in phased manner. SAP is an integrated software where all the inventory records will be maintained and the valuation configured in SAP is in line with Accounting Standard –2 (Valuation of Inventory) by this we will be complying with Accounting Standard –2. However, this has no impact on the accounts.

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 an ongoing process. However, this has no impact on financial results of the Company.

Para 10 (ii) of the Auditors Report

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 initiated steps to bring the valuation of work in progress and finished goods at all units in line with Accounting Standard –2 (Valuation of Inventory). However, this has no impact on the accounts.

Para 10 (iii) of the Auditors Report

As mentioned in Note 26 b) 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.

Auditors

M/s. B. K. Ramadhyani & Co., Chartered Accountants 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 Rs. 2.44 lakhs as at 31st March, 2010.

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 : 10th July, 2010

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 31.3.2010 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

CA. SHYAM RAMADHYANI
Partner

Place : Bangalore
Date : July 10, 2010

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
- b) Impact of the measures at (a) 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.

- c) 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, 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

(Rs. in 000's)

Capital	-
Recurring	4935
	=====
Total	4935
	=====
Total R & D Expenditure	4935
as a % of total turnover	0.06

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
- Import substitution
- 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. The details of foreign exchange earnings and outgo are given below,**

	(Rs. in 000's)
(i) FOB value of goods exported (net) inclusive of sales within India eligible for export incentives.	560156
(ii) Dividend on shares (net of tax)	137
(iii) Repatriation of Profit	Nil
(iv) Others	53383

2. Value of imports calculated on the CIF basis.

(i) Raw materials & Components and spare parts.	558214
(ii) Capital Goods	-

For and on behalf of the Board of Directors

Bangalore

Date : 10th July 2010

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, eight Non - Executive – Independent Directors and one Director is Non-Executive - Non Independent Director. The percentage of Non-Executive Independent Directors to the total number of Directors is 72%.

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, six Board Meetings were held. The meetings were held on 24.6.2009, 31.7.2009, 24.9.2009, 30.10.2009, 22.1.2010 and 06.03.2010.

The composition of Board of Directors and Directors' attendance at the Board Meetings and the number of other directorships and Committee Memberships held by them on the date of Report are given below.

SI 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	6	Yes	5	Nil
2	Mr. P.S. Malik	Executive - Whole-time Director	6	Yes	2	Nil
3	Mr. A.S. Lakshmanan	Non Executive - Independent Director	4	Yes	2	Member-2
4	Mr. S.N. Agarwal	Non Executive - Independent Director	5	Yes	5	Member-2
5	Mr. Anil Kumar Bhandari	Non Executive - Independent Director	6	Yes	2	Nil
6	Mr. Sarosh J Ghandy	Non Executive - Independent Director	5	No	5	Chairman-2 Member-1
7	Mr. V.P. Mahendra	Non Executive - Independent Director	6	Yes	5	Chairman-1 Member-1
8	Mr. Kamlesh Gandhi	Non Executive - Independent Director	6	Yes	4	Chairman-1 Member-2
9	Mr. Berthold Groeneveld	Non Executive - Independent Director	3	Yes	Nil	Nil
10	Mr. D.Devender Singh	Non Executive - Independent Director	4	Yes	Nil	Nil
11	Mrs. Meena Kirloskar	Nominee – LIC Non Executive - Non Independent Director	3	Yes	Nil	Nil

@ as on 10.7.2010 and Directorships held in other Public Limited Companies only .

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 6.6.2009, 24.6.2009, 31.7.2009, 30.10.2009, 22.1.2010 and 06.03.2010.

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

Name of Director	No. of Meetings Attended	
Mr. S.N. Agarwal	5	Chairman
Mr. A.S. Lakshmanan	3	Member
Mr. Anil Kumar Bhandari	5	Member
Mr. Sarosh J Ghandy	5	Member
Mr. V.P. Mahendra	6	Member

Shareholders/Investors Grievances Committee :

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 6.3.2010 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 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. P.S.Malik	1	Member

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, AVP & Company Secretary is the Compliance Officer.

Remuneration Committee

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

During the year under review, the Committee met on 31.7.2009 and 6.3.2010.

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

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

* Mrs Meena Kirloskar has been appointed on the Remuneration Committee w.e.f. 6.3.2010 after the Remuneration Committee Meeting held on that day.

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. P.S.Malik	-	Member
Mr. V.P.Mahendra	-	Member

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 31.3.2010 was 1854.

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

Executive Directors:

(Rs. in Lakhs)

Name	Salary	Contribution to PF and other Funds	Total Amount
Mr. Vijay R Kirloskar Chairman & Managing Director	164.63	44.45	209.08
Mr. P.S.Malik * Joint Managing Director	59.12	15.91	75.03

SIXTY THIRD ANNUAL REPORT 2009-10

The Managing Director has been appointed for a period of 5 years w.e.f. 17th August, 2005. 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. The Board has approved re-appointment of Mr. Kirloskar for a period of five years w.e.f. 17th August, 2010.

Mr. P.S.Malik has been appointed for a period of three years with effect from 10.10.2009 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. Malik, if his office is terminated before the contractual period,

Non Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings Rs.
Mr. S.N.Agarwal	46000
Mr. A.S.Lakshmanan	35000
Mr. Anil Kumar Bhandari	54000
Mr. Sarosh J Ghandy	46000
Mr. V.P.Mahendra	48000
Mr. Kamlesh Gandhi	30000
Mr. Berthold Groeneveld	15000
Mr. D.Devender Singh	20000
Mrs. Meena Kirloskar	25000

Shareholdings of Non Executive Directors as on 31.3.2010

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 2009-10.

Bangalore
July 10, 2010

Vijay R Kirloskar
Chairman & Managing Directors

General Body Meetings

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

AGM	YEAR	VENUE	DATE	TIME
60 th	Apr 2006- Mar 2007	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	30.08.2007	10.00 A M
61 st	Apr 2007- Mar 2008	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	17.09.2008	10.00 A.M
62 nd	Apr 2008- Mar 2009	Chowdaiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	24.09.2009	10.00 A.M

Special Resolutions passed in the previous three Annual General meetings :

Year	Special Resolution
2006-07	<ol style="list-style-type: none"> 1. Appointment of Mr. P.S.Malik as Joint Managing Director from 25th June,2007 till 9th October, 2009. 2. Approval for payment of remuneration to Mr.P.S.Malik, Joint Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.
2007-08	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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

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 31 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.

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 an 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.

SIXTY THIRD ANNUAL REPORT 2009-10

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 : 23rd September, 2010

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall

Gayathri Devi Park Extension

Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2009 to 31st March, 2010

Date of Book Closure : 16th day of September, 2010 to 23rd day of September, 2010 (both days inclusive).

Financial Calendar

Un-audited Results for the quarter ended	Approved on	Published in
30.06.2009	31.07.2009	Business Standard Samyuktha Karnataka
30.09.2009	30.10.2009	Business Standard Samyuktha Karnataka
31.12.2009	22.01.2010	Business Standard Samyuktha Karnataka
31.03.2010	15.05.2010	Business Standard Samyuktha Karnataka

Financial Calendar for the period till 31.3.2011 is as given below :

Un-audited results for the quarter ending June, 2010	by 14 th August, 2010
Un-audited results for the quarter ending September, 2010	by 15 th November, 2010.
Un-audited results for the quarter ending December, 2010	by 15 th February, 2011.
Un-audited results for the quarter ending March, 2011	by 14 th May, 2011, unless the Company decides to publish audited results directly as per Listing Agreements

Dividend Payment Date : The Company has not declared any dividend for the financial year 2009-10.

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.

Madras Stock Exchange Ltd.

National Stock Exchange of India Ltd

Bombay Stock Exchange Ltd

The equity shares of the Company have been admitted to dealings on the National Stock Exchange with effect from March 9, 2010 under the symbol "KECL". The shares have been admitted to dealings on the Bombay Stock Exchange Ltd also w.e.f. April 28, 2010 under the Scrip Code "533193" and under the Scrip ID "KIRELECT" on Bolt System. Earlier the shares were traded on Bombay Stock Exchange on the IndoNext Platform.

Stock Code

: Bangalore Stock Exchange Ltd. – KIRELECTRI

Madras Stock Exchange Ltd. –KRL

National Stock Exchange - KECL

Bombay Stock Exchange Ltd. – 590052 upto 27.4.2010

Bombay Stock Exchange Ltd. – 533193 from 28.4.2010

ISIN Number

: INE 134B01017

The listing fees for 2010-11 have been paid to the Stock Exchanges where the shares are listed .

KIRLOSKAR ELECTRIC COMPANY LTD.

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 of the Company have been listed on National Stock Exchange Limited w.e.f.9.3.2010. The prices thereat were as follows :-

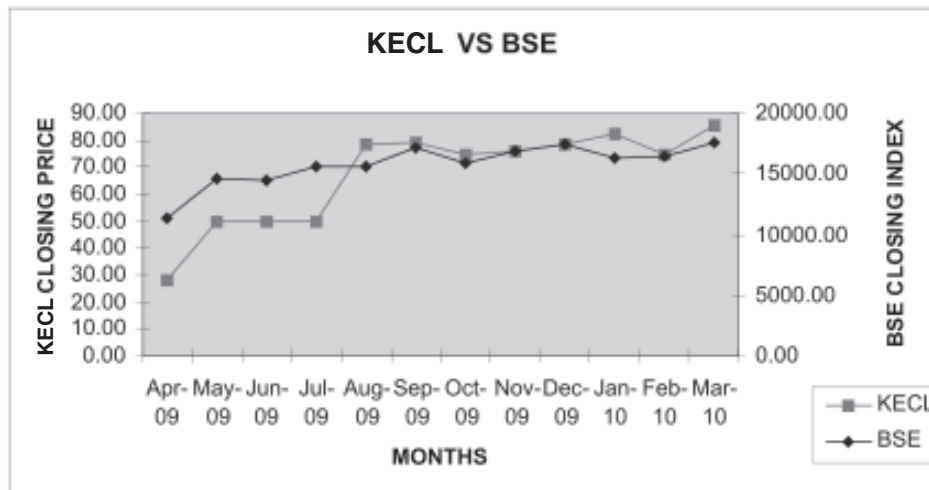
Month	Monthly High (Rs.)	Monthly Low (Rs.)	Monthly Volume (Nos.)
9 th March, 2010 to 31 st March, 2010	91.95	78.55	273318

The shares were also traded on Bombay Stock Exchange Limited (BSE) on the IndoNext Platform under "S" group. The prices thereat were as follows :-

Month	Monthly High (Rs.)	Monthly Low (Rs.)	Monthly Volume(Nos.)
April, 2009	36.25	22.85	5522579
May, 2009	57.00	26.95	7903639
June, 2009	62.40	41.65	4065217
July, 2009	53.95	39.20	2483675
August, 2009	82.95	51.90	10172580
September, 2009	93.40	74.80	6196887
October, 2009	88.25	72.05	2742443
November, 2009	84.20	71.75	2041554
December, 2009	84.00	74.10	2210817
January, 2010	100.80	78.80	7609346
February, 2010	86.60	70.50	948343
March, 2010	90.75	75.15	1531968

Share Price Movements :

Share Price Movements for the period 1st April, 2009 to 31st March, 2010 Kirloskar Electric Company Limited (KECL) vs BSE Sensex



Registrar and Share Transfer Agents

M/s. Alpha Systems Pvt.Ltd, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares. Their address is :

M/s Alpha Systems Pvt.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.

SIXTY THIRD ANNUAL REPORT 2009-10

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 acquirers 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 31.3.2010. There were no application for physical transfers pending and there were no dematerialisation requests pending as on 31.3.2010. The Company received one application for 100 equity shares for rematerialisation during the year.

Distribution of Shareholding as on 31.3.2010

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 holding
1-500	15597	1903816	23935	975859	39532	93.24	2879675	5.70
501-1000	1081	893059	310	266771	1391	3.28	1159830	2.30
1001-2000	548	823084	163	218327	711	1.68	1041411	2.06
2001-3000	211	540004	50	117744	261	0.62	657748	1.30
3001-4000	76	274649	26	85900	102	0.24	360549	0.71
4001-5000	97	456217	18	74122	115	0.27	530339	1.05
5001-10000	124	910201	21	140251	145	0.34	1050452	2.08
10001 & above	130	34430388	11	8410975	141	0.33	42841363	84.80
TOTAL	17864	40231418	24534	10289949	42398	100.00	50521367	100.00

Pattern of Equity Shareholding as on 31.3.2010 :

Category	No. of Shares held	Percentage of Shareholding
Promoters	24836203	49.13
Banks, Financial Institutions	4353268	8.62
Foreign Investment Institutions	55775	0.11
Private Corporate Bodies	4143745	8.20
Indian Public	15149956	29.99
NRIs/OCBs	1982420	3.92
Total	50521367	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2010 was Rs. 50,52,13,670 (50521367 shares of Rs.10/- each). Out of the total Equity paid up share capital of Rs. 50,52,13,670, 40231418 equity shares representing 79.63% of the Equity Capital were held in dematerialised form as on 31.3.2010.

Shareholders complaints received during the period 1.4.2009 to 31.3.2010

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters of complaints regarding Dividend (Non -receipt of Dividend Correction in Bank details etc.)	-	-	-
Letters of Non receipt of Annual Reports	6	6	-
Change of Address and Bank Details	1	1	-
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names/consolidation/sub-division of shares and general transfer correspondence)	26	26	-
Complaints regarding Dematerialisation/ Re-materialisation /Rejection	7	7	-
Miscellaneous Letters or complaints received other than above categories.	6	6	-

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	Mysore	Hubli	Tumkur	Kondhapuri	Nagar Road
Survey No.16 Govenahalli Thyamagondalu Hobli Nelamangala Taluk Bangalore Rural District 562 123	Belvadi Industrial Area, Mysore 570 018	Gokul Road, Hubli-580 030	Hirehalli Industrial Area Hirehalli Tumkur 572 168	GAT No. 309, 315, 317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	5/4 Nagar Road Pune 411014

Kachenahalli	Tumkur Road	Hubli	Bangalore	Andul Mauri
Survey No.81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural	JD Royalite Building Tumkur Road Bangalore 560 022	Sy. No.16/1 Gabbur Village P B Road Hubli	UB MEC Road Industrial Suburb Yeshwanthpur Bangalore 560 022	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, Bangalore 560 055
Telephone : 23374865, 23378735 Fax- 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.Ramadhani & Co., Chartered Accountants and have been reviewed by and discussed in the Audit Committee.

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 9%. 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. 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. 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 Rs. 8.41 billion as against Rs. 8.67 billion in the previous year. The profit before tax for the year is Rs.474.59 million as against a profit of Rs. 348.52 million in the previous year.

SIXTY THIRD ANNUAL REPORT 2009-10

Segmentwise or productwise performance

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

(Rs.in 000's)

Products	2009-10	2008-09
Rotating Machines Group	7536264	6436846
Power Generation Equipment Group	4496139	4933071
Others	444497	510131
Total	12476900	11880048

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 9% in 2010-11. The various industries to which the Company caters to are expected to do well again and demand from them will pick up again. The outlook appears to be good at this juncture.

Risks & Concerns

On account of the sudden slow down seen in the later part of 2008-09 the Industry in general has turned cautious and further investments may be deferred/curtailed. The rise in prices of raw materials and supply uncertainties 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

Industrial relations during the year were generally cordial and the Company continued to have good support of all its employees at all levels except for some slow down in one of the units for a few days.

For and on behalf of the Board

Bagalore

Date : July 10, 2010

Vijay R Kirloskar

Chairman

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2010 and certify, to the best of our knowledge and belief, that:

- 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;
- these statements do not contain any materially untrue statement, or omit any material fact, or contain statements that might be misleading;
- no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's code of conduct ;
- we have accepted the responsibility for establishing & maintaining internal control for financial reporting;
- 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;
- significant changes in internal control over financial reporting, as well as changes in accounting policies, have been intimated to the Auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; There were no instances of fraud of which we have become aware.

Place : Bangalore

Date : July 10, 2010

Vijay R Kirloskar

Chairman & Managing Director

CA R.K. GUPTA

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, 2010, 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 (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 23 (b) of Schedule 'O' (valuation of Inventories)*.
 - 9 On the basis of written representations received from directors as on March 31, 2010 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 22 of schedule 'O' regarding certain debtors, creditors, loans and advances, reconciliation of balances between the Company, 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.*
 - ii) *Note 23 (b) of schedule "O" regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Inventories at these units are as assessed by the management and have been adopted as such in the financial statements. Effect on revenue, if any is not ascertainable and*
 - iii) *Note 26 of schedule 'O' regarding amounts due from certain companies of Rs.22.718 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the said debts/advances are good of recovery. We do not express any independent opinion in this matter.*
- 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 21 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 and 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, 2010
 - 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.

Bangalore
Date: July 10, 2010

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

CA SHYAM RAMADHYANI
Partner
Membership number 019522

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 and at port 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 is maintaining proper records of inventory in terms of quantities *except in respect of inventories of certain units and work-in-progress, where records are under updation.* The discrepancies noticed on verification between the physical stocks and the book records wherever maintained were not material.
 - 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 a fixed deposit was accepted from a director is prima facie not prejudicial to the interests of the Company.
 - 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 20 & 26(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 *note 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 22 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 Rs. 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. In our opinion, the Company's internal audit system needs to be strengthened 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 inventory records of certain units being under updation.* 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.
 - b. We have been informed by the management that the customs duty payable of Rs. 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. According to the information and explanations given to us, there are no other undisputed statutory dues as at March 31, 2010 outstanding for a period of more than six months from the date they became payable. Matured deposits aggregating to Rs. 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries
 - 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, 2010 with the relevant authorities on account of disputes.

KIRLOSKAR ELECTRIC COMPANY LTD.

Name of the statute	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	3,872,324	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	1,241,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	54,648,404	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act	Sales tax demand	334,085	1999-2000, 2001-2002 & 2002-2003	Maharashtra Sales Tax Tribunal, Mumbai
Works Contract Tax Act	Sales tax demanded	1,004,030	2001-2002 & 2002-2003	Maharashtra 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	5,049,397	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	Excise demand	931,120	May 2009	Joint Commissioner of Central Excise.
The Central Excise, 1944	Cenvat credit demand	1,154,811	April 2008 to June 2009	Central Excise and Service Tax Appellate Tribunal

10. In our opinion, the Company doesn't have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks & financial institutions.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans 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 used the terms loans for the purpose for which it has been taken.
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.304.317 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 Company has issued debentures 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. The Company has created securities in respect of the said debentures.
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.

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th cross, Malleswaram,
Bangalore - 560 055
Date: July 10, 2010

For B. K. Ramadhyani & Co.,
Chartered Accountants
Firm Registration No 002878S

CA SHYAM RAMADHYANI
Partner
Membership No.019522

SIXTY THIRD ANNUAL REPORT 2009-10

BALANCE SHEET AS AT 31ST MARCH 2010

			(Rs in 000's)
	Schedule	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	659,932	742,888
b) Reserves & Surplus	B	1,292,829	916,901
		1,952,761	1,659,789
LOAN FUNDS			
a) Secured Loans	C	1,041,117	1,173,368
b) Unsecured Loans	D	366,739	294,638
		1,407,856	1,468,006
TOTAL		3,360,617	3,127,795
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	2,818,353	2,579,379
b) Less : Depreciation		1,132,844	975,130
c) Net Block		1,685,509	1,604,249
d) Capital Work in progress	F	65,659	93,176
		1,751,168	1,697,425
INVESTMENTS	G	857,943	668,685
CURRENT ASSETS, LOANS & ADVANCES	H		
a) Inventories		912,182	736,238
b) Sundry Debtors		2,000,512	1,895,783
c) Cash & Bank Balances		444,919	484,230
d) Loans & Advances		349,710	561,369
		3,707,323	3,677,620
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		2,615,839	2,585,228
b) Provisions		339,978	330,707
		2,955,817	2,915,935
NET CURRENT ASSETS		751,506	761,685
TOTAL		3,360,617	3,127,795
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 B.K. RAMADHYANI & CO.
Chartered Accountants

CA SHYAM RAMADHYANI
Partner

Place : Bangalore

Date : July 10, 2010

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President &
Company Secretary

P S MALIK
Joint Managing Director

CA R.K. GUPTA
Vice President &
Chief Financial Officer

KIRLOSKAR ELECTRIC COMPANY LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010.

(Rs in 000's)

	Schedule	Current Year		Previous Year	
INCOME					
Sales		9,055,707		9,629,301	
Less: excise duty		648,377	8,407,330	962,709	8,666,592
Other Income	J		119,529		91,043
Profit on sale of fixed assets			40		48
TOTAL			8,526,899		8,757,683
EXPENDITURE					
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K		6,151,261		6,674,953
Operating and Other Expenses	L		1,500,623		1,346,322
Interest and Finance Charges					
On Fixed Loans		136,977		138,489	
On Other Accounts		88,697		86,777	
			225,674		225,266
Loss on sale of fixed assets			32		3,619
Depreciation, Amortisations and Provisions	M		175,602		165,087
			8,053,192		8,415,247
Less: Expenses Capitalised			886		6,083
TOTAL			8,052,306		8,409,164
PROFIT BEFORE PRIOR PERIOD & EXTRAORDINARY ITEMS			474,593		348,519
Add:					
Prior period adjustment (net)	N	(2,016)			-
Extraordinary income - remission of liability		8,382	6,366		-
PROFIT BEFORE TAX EXPENSE			480,959		348,519
Less : Provision for current tax		85,031	-	39,399	
Provision for current tax - previous years		20,000	-	-	
Provision for Fringe Benefit Tax		-	105,031	7,000	46,399
PROFIT ATER TAX EXPENSE			375,928		302,120
Add: Profit brought forward from Previous Year			718,453		505,149
			1,094,381	-	807,269
Less:					
Transfer to Debenture Redemption Reserve		16,466		16,467	
Transfer to Capital redemption Reserve		120,316		40,000	
Provision for Preference Dividend		-		27,650	
Provision for Dividend Tax		-		4,699	
		136,782		88,816	
			136,782		88,816
Balance of Profit Carried to Balance Sheet			957,599		718,453
Earning per Share (Face Value Rs 10 per share)					
Before considering extraordinary items					
Basic & Diluted			6.95		5.59
After considering extraordinary items					
Basic & Diluted			7.09		5.59
NOTES ON ACCOUNTS	O				

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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore

Date : July 10, 2010

SIXTY THIRD ANNUAL REPORT 2009-10

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	474,593	348,519
DEPRECIATION (INCLUDING GOODWILL)	157,944	132,571
AMORTISATION & PROVISIONS	3,916	73,670
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	(8)	3,746
EXTRAORDINARY INCOME & PRIOR PERIOD ADJUSTMENT	6,366	-
INTEREST AND DIVIDEND (NET)	211,061	195,760
	379,279	405,747
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	853,872	754,266
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	106,930	(173,977)
INVENTORIES	(175,944)	206,629
TRADE & OTHER PAYABLES	30,611	(36,160)
	(38,403)	(3,508)
	815,469	750,758
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(225,674)	(225,266)
DIRECT TAXES PAID	(67,327)	(15,566)
	(293,001)	(240,832)
NET CASH FROM OPERATING ACTIVITIES	522,468	509,926
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS (INCLUDING CWIP)	(211,787)	(214,553)
PURCHASE OF INVESTMENTS	(189,258)	(645,339)
SALE OF FIXED ASSETS	108	1,265
SALE OF INVESTMENTS	-	6
INTEREST RECEIVED	14,464	29,197
DIVIDEND RECEIVED	149	309
NET CASH USED IN INVESTING ACTIVITIES	(386,324)	(829,115)
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	250,000	514,426
REPAYMENT OF TERM BORROWINGS	(495,835)	(359,271)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	192,405	300
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(6,720)	(547)
REPAYMENT OF PREFERENCE SHARE CAPITAL	(82,956)	-
DIVIDEND PAID	(32,349)	-
NET CASH USED IN FINANCING ACTIVITIES	(175,455)	154,908
D NET INCREASE IN CASH	(39,311)	(164,281)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	484,230	648,511
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	444,919	484,230
	(39,311)	(164,281)

Cash & Cash equivalents includes cash and bank balance

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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore

Date : July 10, 2010

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2010

	(Rs in 000's)	
	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000 Equity Shares of Rs. 10/- each	600,000	600,000
TOTAL	900,000	900,000
Issued, Subscribed and Paid-up :		
1,547,182 (2,376,746) Preference Shares of Rs. 100/- each	154,718	237,674
50,521,367 (50,521,367) Equity Shares of Rs. 10/- each	505,214	505,214
	659,932	742,888

NOTES :

- Equity Shares include:
 - 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - 6,679,572 Shares of face value of Rs. 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.
 - 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.
 - 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each have been allotted 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.
 - 6,752,550 shares issued to share holders of Kaytee Switchgear Limited and 10,500,000 shares issued to the shareholders of Kirloskar Power Equipments Limited, as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so allotted includes 6,174,878 equity shares of Rs.10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.
- 1,176,746 preference shares of Rs.100/- each issued to preference shareholders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash. 429,564 shares of Rs. 100/- each have been redeemed during the year and the balance shall be redeemed in 2 equal annual installments on April 1, 2011 and April 1, 2012
- 800,000 (previous year 1,200,000) 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 in two equal installments on 30.09.2010 and 30.9.2011

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE "B"		
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	42,500	2,500
Add: Transferred from Profit & Loss account	120,316	40,000
	162,816	42,500
Debenture Redemption Reserve		
As per last Balance Sheet	32,934	16,467
Add: Transferred from Profit & Loss account	16,466	16,467
	49,400	32,934
Reconstruction Reserve Account		
As per last Balance Sheet	64,167	64,167
Profit & Loss Account	957,599	718,453
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
TOTAL	1,292,829	916,901

SCHEDULE "C"

Secured Loans - Refer note 3 of Schedule "O"

a) From Banks	956,949	1,061,416
b) Finance Lease obligations	67,702	79,019
c) Zero coupon debentures	16,466	32,933
TOTAL	1,041,117	1,173,368

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposit	180,994	914
b) Interest accrued and due - FDs	5,617	12
c) SICOM Sales Tax loan	1,119	1,119
d) From banks	157,546	252,835
e) From companies	21,463	39,758
TOTAL	366,739	294,638

NOTE :

- Fixed Deposits include Rs.2.500 million (Previous year Rs.Nil) from a director of the Company
- Fixed Deposits include unclaimed deposits of Rs.0.244 million (Previous year Rs. 0.264 million)
- Amount falling due for payment within one year is Rs.214.039 million (Previous year Rs.294.198 million).

SIXTY THIRD ANNUAL REPORT 2009-10

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2009	Additions for the year**	Deductions during the year	As at 31st March 2010	As at 1st April 2009	For the year	Deduct- ions	As at 31st March 2010	As at 31st March 2010	As at 31st March 2009
Tangible Assets										
Own assets										
Land (*)	122,388	-	-	122,388	-	-	-	-	122,388	122,388
Buildings (\$)	483,187	19,020	-	502,207	87,033	17,766	-	104,799	397,408	396,154
Plant & Machinery	1,659,245	33,256	-	1,692,501	758,383	106,767	-	865,150	827,351	900,862
Furniture & Equipment	118,071	12,599	96	130,574	56,856	6,196	87	62,965	67,609	61,215
Vehicles	32,992	3,330	234	36,088	15,437	2,551	143	17,845	18,243	17,555
Leased Assets										
Land (#)	6,958	138,241	-	145,199	-	-	-	-	145,199	6,958
Plant & Machinery	62,543	2,453	-	64,996	2,685	13,452	-	16,137	48,859	59,858
Leasehold Improvements to buildings	29,377	-	-	29,377	1,507	981	-	2,488	26,889	27,870
Intangible assets										
Goodwill	42,346	-	-	42,346	42,346	-	-	42,346	-	-
Product development	3,731	-	-	3,731	622	622	-	1,244	2,487	3,109
Technical knowhow	11,063	-	-	11,063	8,033	1,843	-	9,876	1,187	3,030
Software	7,478	30,405	-	37,883	2,228	7,766	-	9,994	27,889	5,250
TOTAL	2,579,379	239,304	330	2,818,353	975,130	157,944	230	1,132,844	1,685,509	1,604,249
Previous Year	2,314,580	272,895	8,096	2,579,379	845,644	132,571	3,085	975,130		

(*) 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 Rs.48,041 (in 000's).

(\$) Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed.

(#) Leasehold land represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

** Additions to leasehold land and buildings aggregating to Rs.157,037 (000's) 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"

(Rs in 000's)

	As at 31st March 2010	As at 31st March 2009
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	38,565	36,575
2 Plant & Machinery	33,856	109,437
3 Buildings	1,079	3,139
	73,500	149,151
Less:		
Provision for uninstalled machinery	7,841	55,975
TOTAL:	65,659	93,176

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "G"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value	As at 31st March 2010	As at 31st March 2009
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	-	2,380
The Mysore Kirloskar Ltd.,		770,750	10	-	21,260
(ii) Debentures - Fully Paid-up					
The Mysore Kirloskar Ltd., @		30,000	44	-	1,320
(b) Unquoted :					
(i) Equity Shares - Fully Paid-up					
In Subsidiary Company :					
Kirsons BV #		1,059	€ 100	842,962	645,339
		(834)	€ 100		
KEC North America Inc *		210	-	12,936	12,936
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	529	529
(during the year 100,000 bonus shares have been issued)		(200,000)	MR 1		
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 Equipments Ltd.,		340,000	10	2,817	2,817
KEASI Robicon Industrial Systems Private Limited		500,000	10	-	5,000
				861,444	693,781
<i>Less:</i>				12,936	42,896
Provision for diminution in value of Investments				848,508	650,885
<i>Add:</i>					
Share application money pending allotment in Kirsons BV				9,435	17,800
TOTAL:				857,943	668,685

@ 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 pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same.

NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	100	25,060
Market Value	1,036	Not Available
2) Aggregate value of unquoted investments		
Cost	861,344	668,721

SIXTY THIRD ANNUAL REPORT 2009-10

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "H"

(Rs in 000's)

	As at 31st Mar 2010	As at 31st March 2009
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	214,530	139,909
ii. Stock in trade		
Finished goods (including trading stocks)	166,598	165,778
Process stock	510,197	414,455
iii. Others-Including material at port and scrap	20,857	25,204
	912,182	745,346
Less: Provision for non-moving stocks	-	9,108
	912,182	736,238
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.150.194 million, previous year Rs.143.159 million)		
i. Debts outstanding for a period exceeding six months	622,315	491,165
ii. Other debts	1,528,391	1,547,777
	2,150,706	2,038,942
Less : Provision for doubtful debts	150,194	143,159
	2,000,512	1,895,783
3. Cash and Bank Balances		
a. Cash on hand	466	280
b. Cheques in hand	-	55
c. Amount in transit	6,570	9,496
d. Balances with scheduled banks		
- On current accounts	173,349	178,233
- On short term deposit accounts	251,792	283,427
e. Balance with other banks: - refer note 4 of schedule "O"		
- On current accounts	2,463	1,400
- On short term deposit accounts	10,279	11,339
	444,919	484,230
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 121.514 million, previous year Rs.134.671 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	432,354	602,270
Less : Provision for doubtful advances	121,514	134,671
	310,840	467,599
Central excise deposits	38,870	93,770
	349,710	561,369
TOTAL:	3,707,323	3,677,620

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "I"

(Rs in 000's)

		As at 31st Mar 2010		As at 31st March 2009	
	CURRENT LIABILITIES & PROVISIONS				
A. Current Liabilities					
	Sundry Creditors				
	- Micro, Small and Medium Enterprises refer note 21 of Schedule "O"	5,990		-	
	- Others	1,910,790		1,770,648	
	Acceptances	191,708		217,559	
	Trade Advances	454,885		544,190	
	Other liabilities (@)	52,466		52,831	
			2,615,839		2,585,228
B. Provisions					
	For Taxation (including FBT & Net of advance tax)	75,829		38,125	
	For Earned Leave Encashment	42,469		38,747	
	For Wage arrears	7,000		-	
	For Preference Dividend (including dividend tax)	-		32,349	
	For Stamp duty pursuant to Scheme	65,000		65,000	
	For Gratuity	106,680		110,484	
	For Warranties	43,000		46,002	
			339,978		330,707
	TOTAL:		2,955,817		2,915,935

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

SIXTY THIRD ANNUAL REPORT 2009-10

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "J"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	13,683	28,669
Others	781	528
(Tax deducted at source Rs.0.25 million, previous year Rs.2.94 million)	14,464	29,197
Dividend from long term		
Investments : Trade	149	309
Rent received	4,020	5,054
(Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)		
Miscellaneous*	100,896	56,483
TOTAL:	119,529	91,043

* Includes provision no longer required Rs.79.52 million (Rs.48.13 million), Provision for non moving inventory withdrawn Rs.9.11 million (Rs.Nil) and Provision for doubtful advances withdrawn Rs.10.00 million (Rs.Nil).

SCHEDULE "K"

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

Raw material, stores and Components*	6,111,480	6,325,671	
Purchases for Trading	136,630	148,197	
	6,248,110		6,473,868
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	510,197	414,455	
Trading and finished goods	166,598	165,778	
Scrap	1,241	954	
	678,036	581,187	
Less : Stocks at commencement			
Process stocks	414,455	516,113	
Trading and finished goods	165,778	265,010	
Scrap	954	1,149	
	581,187	782,272	
	(96,849)		201,085
Inventories written off	-	3,296	
Less: Provision withdrawn	-	3,296	
	-		-
	6,151,261		6,674,953

* Value of stores and spares not separately ascertained

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "L"

	(Rs in 000's)	
	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	87,172	82,796
Expenses relating to Employees :		
Salaries, Wages & Bonus - refer note 28 of Schedule 'O'	595,882	550,452
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	41,730	45,107
Gratuity as per actuarial valuation	33,802	40,799
Workmen and Staff Welfare Expenses (includes contribution to employees' State Insurance & PF Administration Charges	84,160	81,400
	<u>755,574</u>	<u>717,758</u>
Rent	71,567	56,786
Repairs		
Buildings	11,920	10,581
Machinery	27,192	32,192
Others	58,543	39,374
	<u>97,655</u>	<u>82,147</u>
Selling Expenses	150,935	113,208
Commission	9,806	11,524
Cash Discount	3,173	5,970
Additional Sales Tax	5,180	15
Maintenance of Vehicles	2,613	4,439
Insurance	3,473	2,583
Rates and Taxes	8,309	8,555
Advertisement	6,719	4,138
Printing & Stationery	9,399	10,780
Travelling Expenses	74,107	71,493
Postage, Telegrams and Telephones	17,271	17,420
Auditors Remuneration	6,370	4,284
Tech. Consultancy & Professional Charges	65,659	56,913
Accounting machinery	233	648
Bank Charges (includes exchange fluctuation difference of Rs.3.44 million Dr. previous year Rs.1.34 million Cr.)	78,477	57,247
Subscription to technical associations,		
Journals and Magazines	1,306	2,066
Manufacturing expenses and sundries	16,808	12,622
Bad debts & disallowance written off	13,047	29,107
Less : Provision for doubtful debts withdrawn	<u>12,965</u>	<u>21,894</u>
	82	7,213
Donations	5	8,000
Directors' sitting fees	319	415
Remuneration to whole-time directors	28,411	7,302
Advances written off	8,157	-
Less : Provision for doubtful advances withdrawn	<u>8,157</u>	<u>-</u>
	-	-
Investments written off	29,960	-
Less : Provision for diminution in value of Investments withdrawn	<u>29,960</u>	<u>-</u>
	-	-
Uninstalled machinery written off	48,134	-
Less : Provision for uninstalled machinery withdrawn	<u>48,134</u>	<u>-</u>
	<u>1,500,623</u>	<u>1,346,322</u>

SIXTY THIRD ANNUAL REPORT 2009-10

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "M"

(Rs in 000's)

	Current Year	Previous Year
DEPRECIATION, AMORTISATION AND PROVISIONS		
1 Depreciation	153,604	132,571
2 Doubtful debts	20,000	20,000
3 Doubtful advances	5,000	10,872
4 Warranty claim	(3,002)	1,644
	175,602	165,087

SCHEDULE "N"

(Rs 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)	-
	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 ACCRUAL SYSTEM OF ACCOUNTING:**

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

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.

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 moving average/ average price/ latest estimated purchase price.

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, 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 Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.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 Rs.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 recognised in the period in which the employee renders the related service.

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

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

b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial 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 relating 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 group has a present obligation as a result of past event and it is probable that an 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.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KIRLOSKAR ELECTRIC COMPANY LTD.

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...)

2 (a)	CONTINGENT LIABILITIES OF THE COMPANY AND ITS SUBSIDIARIES:	As at 31.03.2010	As at 31.03.2009
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	1,507,553	965,553
ii)	Bills discounted with bank	200,425	188,037
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	12,158	6,103
iv)	Sales tax demanded under appeal	212,544	55,167
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	241,532	251,246
vi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of Rs. 20 million (Previous year Rs. 20 million) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of Rs..20 million along with dividends in arrears of Rs.20.56 million 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 and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	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, 2010 (as at March 31, 2009 for the period from April 1, 2004 to March 31, 2009) (including tax thereon).	95,643	79,527
xii)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million 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 by them to Kirsons BV. The SBLC is secured by mortgage of certain immovable properties of the Company and shares of Kirsons BV.	932,147	1,171,465
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)	The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty).The Company had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department has considered and refixed the export obligation which need to be fulfilled by March 31, 2011. Based on the revised approval the Company has fulfilled the obligation and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2010.	Nil	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.	44,943	44,943
-----	---	--------	--------

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

(Rs. in 00's)			
		As at 31.03.2010	As at 31.03.2009
3. SECURED LOANS:			
A	Loans and Advances from banks & financial institutions :	39,776	208,990
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.	841,784	770,766
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.	74,828	80,926
iii)	Against pledge of fixed deposits	561	734
iv)	Against security of Motor Cars	67,702	79,019
v)	Against assets purchased on finance lease		
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.	16,466	32,933
4. Balances with Foreign banks :		Current Year	Previous Year
i)	With Bank of Commerce (M) Bhd., Kuala Lumpur :		
	On Short term deposits	10,279 RM 879	11,339 RM 861
	Maximum Balance at any time during the year	10,279 RM 879	11,339 RM 861
ii)	With Bank of Commerce (M) Bhd., Kuala Lumpur:		
	On Current Accounts	- RM Nil	198 RM 15
	Maximum Balance at any time during the year	198 RM 15	2,041 RM 197
iii)	With HSBC Bank, Dubai		
	On Current Accounts	526 AED 43	352 AED 26
	Maximum balance at any time during the year	526 AED 43	352 AED 26
iv)	With HSBC Bank, Dubai		
	On Current Account	1,937 \$ 43	850 \$ 17
	Maximum balance at any time during the year	1,937 \$ 43	850 \$ 17
5. Non resident shareholding			
	Number of non-resident shareholders	359	358
	Number of Equity Shareholdings	132,794	77,869
6. Earning in Foreign Exchange			
i)	F.O.B. value of exports (Net) (inclusive of sales within India eligible for export incentives)	560,156	720,703
ii)	Remittances from overseas offices (Net)	53,383	17,750
iii)	Dividends received	137	297
iv)	Professional services rendered	5,012	3,690
7. Value of Imports calculated on CIF basis:			
i)	Raw materials	325,375	507,538
ii)	Components and spare parts	232,839	72,875
iii)	Capital items	Nil	9,930

KIRLOSKAR ELECTRIC COMPANY LTD.

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...)

(Rs. in 00's)			
		As at 31.03.2010	As at 31.03.2009
8.	Expenditure in foreign currency during the financial year :		
	a) Professional & Consultancy fee	13,365	11,071
	b) Travel	15,294	21,722
	c) Investments in wholly owned subsidiary (including share application money pending allotment)	189,258	614,269
9.	Expenditure on Research and Development during the year:		
	Revenue	4,935	5,849
10.	Remuneration to Auditors:		
a)	IN INDIA		
i)	for Audit	2,500	1,500
ii)	for Taxation matters / tax audit (including VAT audit)	2,000	1,325
iii)	for Certification work etc.	775	775
iv)	for Limited Review & management services	925	525
v)	Cost audit fees	150	150
b)	IN MALAYSIA		
i)	for Audit	12	6
ii)	for Taxation matters	8	3
	Total	6,370	4,284

Excludes out of pocket expenses of Rs. 0.42 million (Previous year Rs. 0.40 million) for audit and Rs. Nil million (Previous year Rs. 0.20 million) for other services.

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

	Current Year Rs. (000's)		Previous year Rs. (000's)	
Value of imported raw materials, stores, spare parts & components consumed	9.97%	609,545	10.36%	655,358
Value of indigenous raw materials, stores, spare parts & components consumed	90.03%	5,501,935	89.64%	5,670,313
	100.00%	6,111,480	100.00%	6,325,671

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

		Current Year Rs. (000's)		Previous year Rs. (000's)	
	Unit	Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc)	MT	3,514	1,185,324	3,647	1,145,982
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	9,491	1,045,644	9,896	1,324,822
3. Others		(*)	3,880,512	(*)	3,854,867
Total			6,111,480		6,325,671

Notes:

- 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.
- (*) Only value furnished as the items are numerous and it is not possible to furnish quantitative particulars thereof.
- Above data is as certified by the management.

SIXTY THIRD ANNUAL REPORT 2009-10

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*	2,198 (1,983)
2.	FHP Motors	Nos.	Not ascertained	Not ascertained	12,900 (37,578)
3.	Engines	Nos.	Not ascertained	Not ascertained	2,793 (1,994)
4.	Transformers	Kva	2,060,000	2,060,000	4,849,015# (4,317,233)
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*	897 (1,948)
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	848 (939)
11.	Uninterruptible Power Systems	Nos.	5,000*	500	582 (838)
12.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil
13.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	2 (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.			2,738 (2,892)
17.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		800 (801)
18.	Electricity generated using wind energy	Units			12,500 (595,200)

Notes:

- (**) Registered with DGTD (*) on maximum utilization (+) On single shift.
- There is no change in installed capacity as compared to the previous year.
- (@) As certified by the Managing Director and relied upon by auditors.
- \$ Standing in the name of Kirloskar Systems Ltd., whose switchgear business was taken over by the Company in a prior year.
- * as per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt.01/12/2004
- # Includes production at subcontract facility.

KIRLOSKAR ELECTRIC COMPANY LTD.

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 Rs. in 000's	Qty. Nos.	Value Rs. in 000's
1.	Motors/ Alternators/ Generators	1,438 (2,567)	68,550 (151,081)	1,449 (1,438)	97,829 (68,550)
2.	Transformers	29 (60)	74,174 (88,780)	35 (29)	43,805 (74,174)
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	3 (35)	189 (3,554)	27 (3)	685 (189)
4.	Uninterruptible Power Systems	26 (34)	688 (530)	15 (26)	422 (688)
5.	Switchgears	- (17)	- (4,073)	23 (-)	1,212 (-)
6.	D G Sets	5 (4)	1,970 (1,252)	8 (5)	1,480 (1,970)
7.	Others		20,206 (15,740)		21,165 (20,206)
	TOTAL		165,778 (265,010)		166,598 (165,778)

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 Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	94,943	3,682,002	106,748	4,139,813
2.	Transformers	2,287	3,168,845	2,028	3,588,157
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	873	105,758	1,980	114,430
4.	Uninterruptible Power Systems	593	25,419	846	55,932
5.	Metal Cutting including Grinding Machines	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts	2	29	2	20
7.	Industrial Electronic Voltage Regulators	848	Nil	939	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard	777	309,880	818	347,207
9.	D G Sets	2,735	891,127	2,887	943,725
10.	Electricity (in Units)	12,500	54	512,500	3,178
11.	Engines	2,793	Nil	1,994	Nil
12.	Others		872,593		436,839
	TOTAL		9,055,707		9,629,301

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

SIXTY THIRD ANNUAL REPORT 2009-10

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 Rs. in 000s	Qty. Nos.	Value Rs. in 000's
1. Miscellaneous items	(*)	136,630	(*)	148,197
TOTAL		136,630		148,197

(*) 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 Equipments Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17,2008.
- b. Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the honorable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at Rs.65 million 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 received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.
19. 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.
20. Current assets, loans and advances include
 - a. Rs.33.015 million (Previous year Rs.29.468 million) due from private limited companies in which directors are interested.
 - b. Rs.6.358 million (Previous year Rs.5.063) due from a wholly owned subsidiary of the Company.
21. The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

(Rs. in 000's)

Sl No	Particulars	As at March 31, 2010
1.	Principal amount due and remaining unpaid	4,562
2.	Interest due on (1) above and the unpaid interest	Not Ascertained
3.	Interest paid on all delayed payments under the MSMED Act.	Nil
4.	Payment made beyond the appointed day during the year	Not Ascertained
5.	Interest due and payable for the period of delay other than (3) above	Nil
6.	Interest accrued and remaining unpaid	Nil
7.	Amount of further interest remaining due and payable in succeeding years.	Not Ascertained

22. 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/ margin money with banks, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/reconciliation. 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 Rs.52.344 million 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.
23. a. Due to various problems and issues faced in implementation of SAP R/3 systems in one unit as explained in note 25 (a) of schedule 'N' of the financial statements of the Company for the year 2008-2009, the Company is in the process of a fresh implementation of a new version of said software. Pending implementation of materials and production modules, closing stocks of all inventories of this unit have been adopted as per physical inventory taken by the management at the end of the year.

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...)

- b. The Company has initiated steps to bring the valuation of work in progress and finished goods at certain units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
24. a. During the year, the Company has implemented SAP ERP software in certain units. Inventory at these units as at March 31, 2010 have been based on moving weighted average and labour/ 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. The depreciation on additions has been calculated on monthly prorated basis instead of quarterly basis in certain units where SAP ERP system has been implemented. Effect of such change on the revenue for the year is not ascertained.
25. Capital work in progress includes Rs.33.856 million where the concerned assets have not been installed for several years. The Company holds a provision of Rs.7.841 million for diminution in value of the same. Management is taking steps to dispose of these assets and is confident of recovery of the un-provided amount.
26. a) Current Assets, Loans & Advances include Rs.22.718 million (previous year Rs.42.310 million) being rescheduled advances from certain other Companies.
- 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.
27. Remuneration to Managing Director & other whole time directors:

Rs in 000's

Particulars	Current Year	Previous year
a) Managing Director		
Salary	16,463	3,837
Contribution to Provident & Other Funds	4,445	907
TOTAL	20,908	4,744
b) Whole Time Director - Joint Managing Director (w.e.f 17 th October 2008) *		
Salary & Perquisites	5,912	1,980
Contribution to Provident & Other Funds	1,591	578
TOTAL	7,503	2,558
Grand Total	28,411	7,302

Liability in respect of accrued gratuity & compensated absence are not ascertainable separately.

* Previous year figures doesn't include amount paid Rs.5,204 in capacity as president and CEO of Kaytee Switchgear Limited.

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 Managing & Joint Managing director of the Company.

The shareholders in their meeting held on September 24, 2009 have approved higher remuneration payable to the Joint Managing Director of the Company. The Company has applied for approval from Central Government in respect of the same. Pending receipt of approval, no provision has been made in the financial statements for the amount payable Rs.290 (in 000's), based on the shareholders approval.

28. Salaries, wages & bonus includes Rs.22.193 million amount paid towards voluntary retirement scheme at certain units during the year.

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

Defined Contribution Plan:

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

Rs in 000's

	Current Year	Previous year
Employer's Contribution to Provident Fund & Pension Scheme	35,070	37,713
Employer's Contribution to Superannuation Fund	12,696	8,879

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.

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...)

	Current Year		Previous year	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	210,190	38,747	180,712	37,672
Current Service Cost	9,971	7,431	1,871	2,586
Interest Cost	14,672	2,603	2,474	766
Acquisition adjustment	-	-	(1,521)	
Actuarial (gain)/ loss	5,071	99	43,162	711
Benefits Paid	(28,400)	(6,411)	(16,508)	(2,988)
Defined Benefit obligation at end of the year	211,504*	42,469	210,190	38,747
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year *	99,706		76,179	
Acquisition adjustment	-		512	
Expected return on plan assets	9,725		4,135	
Employer Contribution	38,258		32,815	
Benefits paid	(28,400)		(16,508)	
Actuarial gain/(loss)	(326)		2,573	
Fair value of plan assets at year end	118,963		99,706	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	118,963	-	99,706	-
Present value of obligation	211,504	42,469	210,190	38,747
Amount recognised in Balance Sheet under liabilities:	92,541*	42,469	110,484	38,747
4. Expense recognised during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	9,971	7,431	1,871	2,586
Interest Cost	14,672	2,603	2,474	766
Expected return on plan assets	(9,725)	-	(4,135)	
Actuarial (gain)/ loss	4,745	99	40,589	711
Net Cost	19,663*	10,133	40,799	4,063
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%	7.30% to 7.50%	7.30% to 7.50%
Expected rate of return on plan assets (per annum)	9.25% to 9.40%	Nil	9.30%	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 Rs.14.139 million, which has not been included in the above table.

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.

KIRLOSKAR ELECTRIC COMPANY LTD.

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...)

30. 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.

31. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Kirsons BV (w.e.f. 01.09.2008)	Subsidiary (Wholly owned)
2	Lloyd Dynamowerke GmbH & Co. KG (LDW) Lloyd Beteteiligungs GmbH	Step down Subsidiaries
3	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
4	KEASI Robican Industrial Systems Limited Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates and joint ventures
5	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 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:

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)	13,388 (1,655)	Nil (Nil)	Nil (Nil)	47,749 * (74,004)
Sale of goods/fixed assets/ services	5,012 (3,690)	2,846 (Nil)	Nil (Nil)	17,134 # (34,467)	10,536 ^ (14,709)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	Nil	Nil	Nil	1,999 (Nil)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	Nil	Nil	Nil	Nil	150,000 (Nil)
Rent received from Ravindu Toyota Pvt Ltd	Nil	Nil	Nil	Nil	2,647 (2,568)
Dividend received	Nil	Nil	Nil	137# (297)	Nil (Nil)

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

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	1,600** (5,280)	Nil	41,622## (25,500)
Investments as on 31.03.2010	842,962\$\$\$ (645,339)	Nil	Nil	529 + (5,529)	2,817 ++ (5,197)
Share application money pending allotment	9,435 (17,800)	Nil	Nil	Nil	Nil
Provision for diminution in value of investments as on 31.03.2010	Nil	Nil	Nil	Nil @ (5,000)	Nil @ (2,380)
Investments written off during the year	Nil	Nil	Nil	5,000 @@ (Nil)	2,380 @@ (Nil)
Provision for doubtful advances as on 31.03.2010	Nil	Nil	Nil	Nil	32,246\$ (32,246)
Amount due to Company as at 31.03.2010	6,358 (5,063)	Nil	2,700 ! (2,700)	9,712# (7,210)	92,695 !! (269,563)
Amount due from Company as at 31.03.2010	Nil	10,539 (1,655)	Nil (Nil)	Nil	21,231\$\$ (967)
Remuneration paid	Nil	Nil	29,979 ^^^ (14,030)	Nil	Nil
Interest on fixed deposit paid to Meena Kirloskar	Nil	Nil	65 (Nil)	Nil	Nil
Fixed deposit accepted during the year and outstanding as at 31.03.2010 from Meena Kirloskar	Nil	Nil	2,500 (Nil)	Nil	Nil
Shares allotted pursuant to Scheme (at face value)	Nil	Nil	Nil∞ (34,315)	Nil	Nil £ (59,541)
Redemption of Preference Shares to Abhiman Trading Company	Nil	Nil	Nil	Nil	467 (Nil)
Guarantees given by the Company and outstanding at the end of the year.	932,147 (1,171,465)	Nil	Nil	Nil	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 Rs.26,641 (previous year Rs.52,090), Vijay Farms Limited Rs.5,918 (Previous year Rs.5,834), Sri Vijaydurga Investments and Agencies Private Limited Rs.9,595 (Previous year Rs.8,377), Vijay Jyothi Investments and Agencies Private Limited Rs.68 (Previous year Rs.1,983) and Abhiman Trading Company Pvt. Limited Rs.5,527 (Previous year Rs.5,720).

Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Batteries Private Limited Rs.9,449 (Previous year Rs.14,709) and Ravindu Motors Private Limited Rs. 1,087 (Previous year Rs.Nil).

Includes rent paid to Kirloskar Power Equipments Limited Rs.21,600 (Previous year Rs.9,900), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.15,600 (Previous year Rs.15,600), Sri Vijaydurga Investments and Agencies Private Limited Rs.1,800 (Previous year Rs.Nil) and Kirloskar Batteries Pvt Ltd Rs.2,622 (Previous year Rs.Nil).

** Includes rent paid to Vijay R Kirloskar Rs.Nil (Previous year Rs.3,780) and Meena Kirloskar Rs.1,600 (Previous year Rs.1,500).

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...)

+ Includes investments in Kirloskar (Malaysia) Sdn Bhd. Rs.529 (Previous year Rs.529) and KEASI Robican Industiral Systems Limited Rs.Nil (Previous year Rs.5,000).

++ Includes investments in Kirloskar Power Equipments Limited Rs.2,817 (Previous year Rs.2,817) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.2,380).

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

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

\$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipments Limited Rs.27,630 (previous year Rs.42,774), Kirloskar Computer Services Limited Rs.32,246 (Previous year Rs.32,246), Vijay Farms Pvt. Limited Rs.17,707 (Previous year Rs.18,183), Kirloskar Batteries Private Limited Rs.Nil (Previous year Rs.29,468), Vijay Jyothi Investments and Agencies Private Limited Rs.10,480 (Previous year Rs.141,688), Abhiman Trading Company Pvt. Limited Rs.3,607 (Previous year Rs. 4,048), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Vijaydurga Investments and Agencies Pvt Ltd Rs.865 (Previous year Rs.1,064) and Ravindu Motors Private Limited Rs.100 (Previous year Rs.62).

! Represents due from Meena Kirloskar

∞ Includes Shares allotted to Vijay R Kirloskar Rs.Nil (Previous year Rs. 34,303) and P S Malik Rs.Nil (Previous year Rs.12)

\$\$\$ Includes expenses incurred in connection of acquisition of subsidiary Rs.88.249 million.

\$\$ Includes due to Kirloskar Batteries Pvt. Limited Rs.21,231 (Previous year Rs.821) and Ravindu Motors Private Limited Rs.Nil (Previous year Rs.146).

^^^ Includes paid to Vijay R Kirloskar Rs.20,908 (Previous year Rs.4,744), P S Malik Rs.7,503 (Previous year Rs. 7,762), Meena Kirloskar Rs.25 (Previous year Rs. Nil), Janaki Kirloskar Rs.1,007 (Previous year Rs.1,167) and Rukmini Kirloskar Rs.536 (Previous year Rs.357).

£ Includes Shares allotted to Vijay Farms Pvt Ltd Rs.Nil (Previous year Rs. 14,639), Vijay Jyothi Investments & Agencies Pvt Ltd Rs.Nil (Previous year Rs.12,000), Abhiman Trading Co Pvt Ltd Rs.Nil (Previous year Rs. 20,902) and Vijay Kirthi Investments & Agencies Pvt Ltd Rs.Nil (Previous year Rs.12,000).

32. 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.

Particulars	Total minimum lease payments outstanding as at 31.03.2010	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2010
Within One year	26,255 (23,721)	7,347 (8,520)	18,908 (15,201)
Later than one year but not later than five years	56,998 (73,869)	8,204 (10,051)	48,794 (63,818)
Total	83,253 (97,590)	15,551 (18,571)	67,702 (79,019)

33. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.71,567 (Rs.56,786).

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

34. Earnings per share:

PARTICULARS	31.03.2010 Rs. (000's)	31.03.2009 Rs. (000's)
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	375,928	302,120
Less:		
Preference Dividend including dividend tax	17,733	19,796
	<u>358,195</u>	<u>282,324</u>
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (Rs.)	7.09	5.59
Before extraordinary items		
Profit for the year after tax expense	375,928	302,120
Less: extraordinary item (net of tax)	6,957	Nil
	<u>368,971</u>	<u>302,120</u>
Less:		
Preference Dividend including dividend tax	17,733	19,796
	<u>351,238</u>	<u>282,324</u>
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (Rs.)	6.95	5.59

35. DETAILS OF DEFERRED TAX LIABILITY

Rs. in 000's

	As at 31.03.2010	As at 31.03.2009
Liability relating to value of fixed assets	222,359	234,343
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961(recognized only to the extent of net liability)	<u>222,359</u>	<u>234,343</u>
Net amount	Nil	Nil

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

Rs in 000's

Particulars	Wage Arrears	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	-	65,000	46,002
	(-)	(-)	(44,358)
Provision for the year (net)	7,000	-	(3,002)
	(-)	(65,000)	(1,644)
Balance outstanding at the end of the year	7,000	65,000	43,000
	(-)	(65,000)	(46,002)

37. There were no derivative instruments outstanding as at March 31, 2010. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2010 is as follows:

Particulars	As at 31.03.2010 Rs. in 000's	As at 31.03.2009 Rs. in 000's
Assets (Receivables)	31,585	46,450
Liabilities (Payables)	22,189	19,321

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...)

38. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.

39. Previous year figures have been regrouped wherever required in conformity with presentation this year.

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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore

Date : July 10, 2010

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 4 1 5 / 4 6 - 4 7	State Code	0 8
Balance Sheet Date	3 1 - 0 3 - 2 0 1 0		

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

Public Issue	N i l	Rights Issue	N i l
Bonus Issue	N i l	Private Placement (Including premium)	2 9 0 2 0 0

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

Total Liabilities	3 3 6 0 6 1 7	Total Assets	3 3 6 0 6 1 7
-------------------	---------------	--------------	---------------

Sources of Funds

Paid up Capital	6 5 9 9 3 2	Reserves & Surplus	1 2 9 2 8 2 9
Secured Loans	1 0 4 1 1 1 7	Unsecured Loans	3 6 6 7 3 9

Application of Funds

Net Fixed Assets	1 6 8 5 5 0 9	Capital Work In Progress	6 5 6 5 9
Investments	8 5 7 9 4 3	Net Current Assets	7 5 1 5 0 6

IV. PERFORMANCE OF COMPANY (Rupees in Thousands)

Turnover (including other Income	8 5 2 6 8 9 9	Total Expenditure	8 0 5 2 3 0 6
Profit before Tax	4 7 4 5 9 3	Profit after Tax	3 7 5 9 2 8
Earning per share in Rs. (After Tax)	7 . 0 9	Dividend rate %	N i l

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

Item Code No. (ITC Code)	8 5 . 0 1
Product Description	E L E C T R I C M O T O R S
Item Code No. (ITC Code)	8 5 . 0 1
Product Description	A C M A C H I N E S
Item Code No. (ITC Code)	8 5 . 0 1
Product Description	D C M A C H I N E S

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Associate Vice President &
Company Secretary

P S MALIK
Joint Managing Director

CA R.K. GUPTA
Vice President & Chief Finance Officer

Bangalore

Date : July 10, 2010

**Consolidated
Financial Statements 2009-10**

**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, 2010, 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 Rs.2,348.11 million (March 31, 2009 Rs.2,588.32 million) and total revenues for the year of Rs.3,535.84 million (period from September 1, 2008 to March 31, 2009 Rs.2,294.64 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. Details of accounting policies, contingent liabilities as at March 31, 2010, notes forming part of the financial statements of the said associates have not been furnished
 - 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, 2010. 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, 2010, 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, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures 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 and audited financial statements of a jointly controlled entity as at March 31, 2009.
5. *Attention is invited to the following: -*
 - a) Note 9 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 10(b) of schedule 'O' regarding valuation of inventories of certain units not being in line with Accounting Standard 2. Inventories at these units are as assessed by the management and have been adopted as such in the financial statements. Effect on revenue, if any is not ascertainable and*
 - c) *Notes 13 of Schedule 'O' regarding amounts due from certain companies of Rs.22.718 million. We have relied on the representations of the management that these advances are good of recovery. We do not express any independent opinion in this matter.*
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, 2010
 - 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.

Date: July 10, 2010

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

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

CA SHYAM RAMADHYANI
Partner
Membership No 019522

SIXTY THIRD ANNUAL REPORT 2009 - 10

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

(Rs in 000's)

	Schedule	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	659,932	742,888
b) Reserves & Surplus	B	1,332,084	1,061,755
		<u>1,992,016</u>	<u>1,804,643</u>
Minority Interest		10,798	7,154
LOAN FUNDS			
a) Secured Loans	C	2,490,017	3,037,847
b) Unsecured Loans	D	366,739	294,674
		<u>2,856,756</u>	<u>3,332,521</u>
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (NET OF AMORTISATION)			
		36,181	-
TOTAL		<u>4,895,751</u>	<u>5,144,318</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	3,521,829	3,231,106
b) Less : Depreciation		<u>1,492,274</u>	<u>1,294,486</u>
c) Net Block		2,029,555	1,936,620
d) Capital Work in progress	F	65,659	108,212
		<u>2,095,214</u>	<u>2,044,832</u>
INVESTMENTS	G	18,907	22,778
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (NET OF AMORTISATION)			
		-	60,334
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	H	1,558,335	1,705,002
b) Sundry Debtors		2,591,354	2,464,358
c) Cash & Bank Balances		627,115	678,688
d) Loans & Advances		417,548	682,386
		<u>5,194,352</u>	<u>5,530,434</u>
Less : CURRENT LIABILITIES & PROVISIONS	I		
a) Current Liabilities		3,313,164	3,588,596
b) Provisions		387,422	368,516
		<u>3,700,586</u>	<u>3,957,112</u>
NET CURRENT ASSETS		1,493,766	1,573,322
GOODWILL ON CONSOLIDATION (NET)		1,287,864	1,443,052
TOTAL		<u>4,895,751</u>	<u>5,144,318</u>
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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore
Date : July 10, 2010

KIRLOSKAR ELECTRIC COMPANY LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		12,476,900	11,880,048
Less: excise duty		648,377	969,650
Other Income	J	155,772	130,576
Profit on sale of fixed assets (net)		40	48
TOTAL		11,984,335	11,041,022
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	7,818,212	7,985,849
perating and Other Expenses	L	3,044,394	2,185,500
Interest and Finance Charges			
On Fixed Loans		142,667	210,328
On Other Accounts		158,915	86,777
		301,582	297,105
Loss on sale of fixed assets		32	3,619
Depreciation, Amortisations and Provisions	M	209,190	222,307
		11,373,410	10,694,380
Less: Expenses Capitalised		17,616	31,773
TOTAL		11,355,794	10,662,607
PROFIT BEFORE PRIOR PERIOD, EXTRAORDINARY ITEMS, MINORITY INTEREST& SHARE OF INCOME FROM ASSOCIATES		628,541	378,415
Add:			
Prior period adjustment (net)	N	(3,857)	-
Extraordinary income - remission of liability		8,382	-
PROFIT BEFORE MINORITY INTEREST& SHARE OF INCOME FROM ASSOCIATES		633,066	378,415
Less: Minority interest		6,331	3,712
Less/ (Add) : share of loss/ (profit) from associates (net)		2,584	(1,633)
PROFIT BEFORE TAX EXPENSE		624,151	376,336
Less : Provision for current tax (net)		89,415	37,255
Provision for current tax -Previous years		25,128	-
Provision for Fringe Benefit Tax		-	7,000.
PROFIT AFTER TAX EXPENSE		509,608	332,081
Add: Profit brought forward from Previous Year		749,095	505,830
		1,258,703	-
Less:			
Transfer to Debenture Redemption Reserve		16,466	16,467
Transfer to Capital redmption Reserve		120,316	40,000
Provision for Preference Dividend		-	27,650
Provision for Dividend tax		-	4,699
		136,782	88,816
Balance of Profit Carried to Balance Sheet		1,121,921	749,095
Earning per Share (Face Value Rs 10 per share)			
Before considering extraordinary items			
Basic & Diluted		9.59	6.18
After considering extraordinary items			
Basic & Diluted		9.73	6.18
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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore
Date : July 10, 2010

SIXTY THIRD ANNUAL REPORT 2009 - 10

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs in 000's)

	Current Year	Previous Year
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	624,151	376,336
DEPRECIATION	214,270	158,300
AMORTISATION & PROVISIONS	110,066	(13,856)
(PROFIT)/LOSS FROM SALE OF FIXED ASSETS (NET)	(8)	3,571
EXTRAORDINARY INCOME	(8,382)	-
INTEREST AND DIVIDEND (NET)	285,876	264,249
	<u>601,822</u>	<u>412,264</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,225,973	788,600
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	149,674	(845,631)
INVENTORIES	146,667	(762,135)
TRADE & OTHER PAYABLES	(275,432)	967,205
	<u>20,909</u>	<u>(640,561)</u>
	1,246,882	148,039
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(301,582)	(297,105)
DIRECT TAXES PAID	(88,671)	(13,421)
	<u>(390,253)</u>	<u>(310,526)</u>
NET CASH FROM OPERATING ACTIVITIES	856,629	(162,487)
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(266,659)	(523,961)
INCREASE IN VALUE OF INVESTMENTS	-	(11,206)
SALE /(PURCHASE)OF BUSINESS	-	(1,448,531)
SALE OF FIXED ASSETS	2,015	2,712
SALE OF INVESTMENTS	-	6
DECREASE IN THE VALUE OF EQUITY IN ASSOCIATES	3,871	-
INCREASE/ (DECREASE) IN VALUE OF MINORITY INTEREST	3,644	7,154
INCREASE IN FOREIGN CURRENCY TRANSLATION DIFFERENCE	(84,091)	114,212
INTEREST RECEIVED	15,694	32,844
DIVIDEND RECEIVED	12	12
NET CASH USED IN INVESTING ACTIVITIES	<u>(325,514)</u>	<u>(1,826,758)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING	250,000	2,378,940
REPAYMENT OF TERM BORROWINGS	(911,450)	(359,271)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	192,405	300
REPAYMENT OF FIXED DEPOSITS FROM PUBLIC	(6,720)	(547)
REPAYMENT OF PREFERENCE SHARE CAPITAL	(82,956)	-
REMISSION IN LIABILITY	8,382	-
DIVIDEND PAID	(32,349)	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(582,688)</u>	<u>2,019,422</u>
D NET INCREASE IN CASH	(51,573)	30,177
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	678,688	648,511
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	627,115	678,688
	(51,573)	30,177

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

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore
Date : July 10, 2010

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

	(Rs in 000's)	
	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of Rs. 100/- each	300,000	300,000
60,000,000 Equity Shares of Rs. 10/- each	600,000	600,000
TOTAL	900,000	900,000
Issued, Subscribed and Paid-up :		
1,547,182 (2,376,746) Preference Shares of Rs. 100/- each	154,718	237,674
50,521,367 (50,521,367) Equity Shares of Rs. 10/- each	505,214	505,214
	659,932	742,888

NOTES :

- Equity Shares include:
 - 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
 - 6,679,572 Shares of face value of Rs. 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.
 - 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.
 - 2,000,000 equity shares of Rs.10/- each aggregating to Rs.20 million at a premium of Rs.20/- each were allotted 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.
 - 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 arrangement approved by the Honourable High Court of Karnataka under sec 391 - 394 of the Companies Act, 1956 without payment received in cash. Equity shares so allotted includes 6,174,878 equity shares of Rs.10/- each allotted to KECL Investment Trust, sole beneficiary of which is the Company.
- 1,176,746 preference shares of Rs.100/- each issued to preference shareholders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash. 429,564 shares of Rs. 100/- each have been redeemed during the year and the balance shall be redeemed in 2 equal annual installments on April 1, 2011 and April 1, 2012
- 800,000 (previous year 1,200,000) 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 in two equal installments on 30.09.2010 and 30.9.2011.

	(Rs in 000's)	
	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE "B"		
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	42,500	2,500
Add: Transferred from Profit & Loss account	120,316	40,000
	162,816	42,500
Debenture Redemption Reserve		
As per last Balance Sheet	32,934	16,467
Add: Transferred from Profit & Loss account	16,466	16,467
	49,400	32,934
Reconstruction Reserve Account		
As per last Balance Sheet	64,167	64,167
Profit & Loss Account	1,121,921	749,095
Foreign Currency translation Reserve		
As per last Balance Sheet	114,212	-
Adjustments during the year (net)	(239,279)	114,212
	(125,067)	114,212
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
TOTAL	1,332,084	1,061,755

SCHEDULE "C"		
SECURED LOANS - Refer note 4 of Schedule 'O'		
a) From Banks	2,405,849	2,925,895
b) Finance Lease obligations	67,702	79,019
c) Zero coupon debentures	16,466	32,933
TOTAL	2,490,017	3,037,847

SCHEDULE "D"		
UNSECURED LOANS		
a) Fixed Deposit	180,994	914
b) Interest accrued and due - FDs	5,617	12
c) SICOM Sales Tax loan	1,119	1,119
d) From banks	157,546	252,835
e) From companies	21,463	39,758
f) Proportionate share of jointly controlled entity	-	36
TOTAL	366,739	294,674

NOTE :

Fixed Deposits include Rs. 2,500 million (Previous year Rs. Nil) from a director of the Company
 Fixed Deposits include unclaimed deposits of Rs.0.244 million (Previous year Rs. 0.264 million)
 Amount falling due for payment within one year is Rs.214.039 million (Previous year Rs.294.234 million).

SIXTY THIRD ANNUAL REPORT 2009 - 10

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 1st April 2009	Additions for the year**	Adjustments on account of exchange fluctuation	Deductions during the year	As at 31 st March 2010	As at 1 st April 2009	For the year	Adjustments on account of exchange fluctuation	Deductions	As at 31 st March 2010	As at 31 st March 2010	As at 31 st March 2009
Tangible Assets												
Own assets												
Land (*)	122,388	-	-	-	122,388	-	-	-	-	-	122,388	122,388
Buildings (\$)	627,806	19,020	16,777	-	630,049	102,455	23,474	1,778	-	124,151	505,898	525,351
Plant & Machinery	2,013,016	105,106	38,699	3,099	2,076,324	970,565	138,652	24,955	1,322	1,082,940	993,384	1,042,451
Furniture & Equipment	200,820	34,517	(18,245)	3,486	250,096	104,923	18,588	(21,130)	3,347	141,294	108,802	95,897
Vehicles and Aircraft	32,991	3,330	-	234	36,087	15,437	2,551	-	143	17,845	18,242	17,554
Leased Assets												
Land (#)	6,958	138,241	-	-	145,199	-	-	-	-	-	145,199	6,958
Plant & Machinery	62,543	2,453	-	-	64,996	2,685	13,452	-	-	16,137	48,859	59,858
Leasehold Improvements to buildings	29,377	-	-	-	29,377	1,507	981	-	-	2,488	26,889	27,870
Intangible Assets												
Goodwill	42,346	-	-	-	42,346	42,346	-	-	-	42,346	-	-
Product development	3,731	-	-	-	3,731	622	622	-	-	1,244	2,487	3,109
Technical knowhow	11,063	-	-	-	11,063	8,034	1,843	-	-	9,877	1,186	3,029
Software	77,043	40,755	7,625	-	110,173	44,888	14,107	5,043	-	53,952	56,221	32,155
Proportionate share in jointly controlled entity	1,024	-	-	1,024	-	1,024	-	-	1,024	-	-	-
TOTAL	3,231,106	343,422	44,856	7,843	3,521,829	1,294,486	214,270	10,646	5,836	1,492,274	2,029,555	1,936,620
Previous Year	2,315,604	928,857	1,270	12,085	3,231,106	846,668	454,890	-	7,072	1,294,486		

(*) 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 Rs.48,041 (in 000's).

(\$)

Includes Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed.

(#)

Leashold land amounting to Rs.6,958 (in 000's) represents land taken on lease from KIADB. On expiry of lease period, payment of balance consideration if any, and execution of sale deed, the title will pass to the Company.

**

Additions to leasehold land and buildings aggregating to Rs.157,037 (000's) 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 leasehold land to the name of the Company is subject to approval of Uttar Pradesh State Industrial Development Corporation.

SCHEDULE "F"

(Rs in 000's)

	As at 31 st March 2010	As at 31 st March 2009
CAPITAL WORK IN PROGRESS		
1 Plant & Machinery taken on finance lease	38,565	36,575
2 Plant & Machinery	33,856	124,473
3 Buildings	1,079	3,139
	73,500	164,187
<i>Less:</i>		
Provision for uninstalled machinery	7,841	55,975
TOTAL:	65,659	108,212

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "G"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value Rs	As at 31st March 2010 Rs	As at 31st March 2009 Rs
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	-	2,380
The Mysore Kirloskar Ltd.,		770,750	10	-	21,260
(ii) Debentures - Fully Paid-up					
The Mysore Kirloskar Ltd., @		30,000	44	-	1,320
(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	4,967	5,137
		(200,000)	MR 1		
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 Industries (Bahrain) WLL		180	BHD 100	5,830	9,531
				18,907	47,738
Less:					
Provision for diminution in value of Investments				-	24,960
		Total		18,907	22,778

@ Matured and due for payment.

NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	100	25,060
Market Value	1,036	Not Available
2) Aggregate value of unquoted investments		
Cost	18,807	22,678

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "H"

(Rs in 000's)

	As at 31st Mar 2010	As at 31st March 2009
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	353,934	319,028
ii. Stock in trade		
Finished goods (including trading stocks)	166,598	165,778
Process stock	1,016,948	1,204,100
iii. Others-Including material at port and scrap	20,855	25,204
	1,558,335	1,714,110
Less: Provision for non-moving stocks	-	9,108
	1,558,335	1,705,002
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs.169.229 million, previous year Rs.159.314 million)		
i. Debts outstanding for a period exceeding six months	622,315	395,973
ii. Other debts	2,138,268	2,227,699
	2,760,583	2,623,672
Less : Provision for doubtful debts	169,229	159,314
	2,591,354	2,464,358
3. Cash and Bank Balances		
a. Cash on hand	1,438	193,488
b. Cheques in hand	-	55
c. Amount in transit	6,570	9,496
d. Balances with scheduled banks:		
- On current account	173,349	178,233
- On short term deposit accounts	251,792	283,427
e. Balances with others:		
- On current account	9,080	2,650
- On short term deposit accounts	184,886	11,339
	627,115	678,688
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 121.514 million, previous year Rs.134.671 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances	487,316	723,287
Less : Provision for doubtful advances	121,514	134,671
	365,802	588,616
Central excise deposits	39,914	93,770
Advance payment of tax outside India	11,832	
	417,548	682,386
TOTAL:	5,194,352	5,530,434

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010

SCHEDULE "I"

(Rs in 000's)

		As at 31st Mar 2010		As at 31st March 2009	
	CURRENT LIABILITIES & PROVISIONS				
A. Current Liabilities					
	Sundry Creditors	2,272,263		2,341,113	
	Acceptances	191,708		217,558	
	Trade Advances	796,727		979,388	
	Other liabilities (@)	52,466		50,537	
			3,313,164		3,588,596
B. Provisions					
	For Taxation (including FBT & net of advance tax)	75,829		38,125	
	For Earned Leave Encashment	64,162		61,051	
	For Wage Arrears	7,000		-	
	For Preference Dividend (including dividend tax)	-		32,349	
	For Stamp duty pursuant to Scheme	65,000		65,000	
	For Gratuity	106,680		110,484	
	For Warranties	68,751		61,507	
			387,422		368,516
	TOTAL:		3,700,586		3,957,112

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

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "J"

(Rs in 000's)

	Current Year	Previous Year
OTHER INCOME		
Interest :		
On Fixed Deposits	13,683	32,316
Others	2,011	528
(Tax deducted at source Rs.0.25 million, previous year Rs.2.94 million)	15,694	32,844
Dividend from long term		
Investments : Trade	12	12
Commission on Sales	16,343	7,871
Rent received	9,389	6,779
(Tax deducted at source Rs.0.54 million, previous year Rs.0.26 million)		
Miscellaneous*	114,334	83,070
TOTAL:	155,772	130,576

* Includes provision no longer required Rs.90.31 million (Rs.63.34 million), Provision for non moving inventory withdrawn Rs.9.11 million (Rs.Nil) and Provision for doubtful advances withdrawn Rs.10.00 million (Rs.Nil).

SCHEDULE "K"

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

Raw material, stores and Components*	7,473,906	7,596,912	
Purchases for Trading	136,630	148,197	
	7,610,536		7,745,109
Deduct : Increase in stocks			
Stocks at Close			
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	
Less : Stocks at commencement			
Process stocks (includes Rs.Nil (PY Rs.829,300) taken over from LDW)	1,204,100	1,345,413	
Trading and finished goods	165,778	265,010	
Scrap	954	1,149	
	1,370,832	1,611,572	
	186,045		240,740
Inventories written off	21,631	3,296	
Less: Provision withdrawn	-	3,296	
	21,631		-
	7,818,212		7,985,849

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "L"

	(Rs in 000's)	
	Current Year	Previous Year
OPERATING & OTHER EXPENSES		
Power & Fuel	135,621	82,796
Expenses relating to Employees :		
Salaries, Wages & Bonus	1,427,317	1,039,907
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	180,865	134,786
Gratuity as per actuarial valuation	33,802	40,799
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	142,329	105,003
	1,784,313	1,320,495
Rent	81,766	65,578
Repairs		
Buildings	11,920	10,581
Machinery	27,191	32,192
Others	90,284	55,684
	129,395	98,457
Selling Expenses	230,082	139,359
Commission	92,955	35,551
Cash Discount	11,724	5,970
Additional Sales Tax	5,180	15
Maintenance of Vehicles	4,659	4,439
Insurance	70,106	22,423
Rates and Taxes	8,316	26,826
Advertisement	13,633	9,863
Printing & Stationery	12,173	10,780
Travelling Expenses	118,389	96,544
Postage, Telegrams and Telephones	21,084	19,601
Auditors Remuneration	11,358	4,624
Tech. Consultancy & Professional Charges	108,591	124,109
Accounting machinery	42,001	648
Bank Charges (Net off exchange fluctuation difference of Rs.0.38 million Cr. previous year Rs.1.98 million Cr.)	94,423	63,055
Subscription to technical associations, Journals and Magazines	3,884	3,598
Manufacturing expenses and sundries	34,389	27,609
Bad debts & disallowance written off	10,167	29,107
Less : Provision for doubtful debts withdrawn	10,085	21,894
	82	7,213
Donations	1,540	8,060
Directors' sitting fees	319	415
Remuneration to whole-time directors	28,411	7,302
Advances written off	8,157	-
Less : Provision for doubtful advances withdrawn	8,157	-
Investments written off	24,960	-
Less : Provision for dimunition in value of investments withdrawn	24,960	-
	-	-
Uninstalled machineries written off	48,134	-
Less : Provision for dimunition in value of uninstalled machinery withdrawn	48,134	-
	-	-
Proportinate share of expenses of jointly controlled entity		170
	3,044,394	2,185,500

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

SCHEDULE "M"

(Rs in 000's)

	Current Year	Previous Year
DEPRECIATION, AMORTISATION AND PROVISIONS		
1 Depreciation	209,930	158,300
2 Doubtful debts	20,000	20,154
3 Doubtful advances	5,000	10,872
4 Warranty claim	10,441	17,898
5 Amortisation of Foreign Exchange Loss on Monetary item	(36,181)	15,083
	209,190	222,307

SCHEDULE "N"

(Rs 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 Other period expenses	4,095	-
5 Other income related to prior periods	(2,254)	-
	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****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 to the same reporting date as that of the parent company i.e. year ended March 31, 2010. 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 (other than long term foreign currency monetary items) 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 asset have been 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 ACCRUAL SYSTEM OF ACCOUNTING:**

The Company follows the accrual system of accounting in respect of all items of expenditure and income.

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, 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.

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.

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

1.4 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.
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 moving average/ average price/ latest estimated purchase price.

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.

1.5 DEPRECIATION:

Parent Company:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, which ever is higher on assets as on 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 Rs. 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is Rs.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 Rs.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. 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.

1.6 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

1.7 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.

1.8 REVENUE RECOGNITION:

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

1.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

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

(ii) Post Employment Benefits:

a) Defined Contribution Plans: (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" (Contd...)

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

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.

1.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

- Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.
- 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.
- Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- 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.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relating 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.

1.13 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 an 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.

1.14 USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- The consolidation of financial statement(CFS) present the consolidated accounts of Kirloskar Electric Company Limited with its following subsidiaries, Associate and Joint Venture:

Name of the company	Ownership Percentage	Country of Incorporation
Subsidiary		
Kirsons BV	100%	The Netherlands
Step down Subsidiaries		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.8949%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associate		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33%	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	30.35%	Malaysia
	(40.00%)	
Joint Venture – Company has struck off its name from Registrar of Companies.		
KEASI Robicon Industrial System Pvt, Ltd	50%	India

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...)**

(Rs. in '000's)

3(a)	CONTINGENT LIABILITIES OF THE COMPANY AND ITS SUBSIDIARIES:	As at 31.03.2010	As at 31.03.2009
i)	Letter of Credit, Guarantees, Corporate and Counter guarantees given on Import and Sale contracts etc.	2,310,848	1,991,550
ii)	Bills discounted with bank	200,425	188,037
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	12,158	6,103
iv)	Sales tax demanded under appeal	212,544	55,167
v)	Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	241,532	251,246
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 and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	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 writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances	9,154	9,154
xi)	The Company had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs.3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The Company had requested the Director General of Foreign Trade to refix the export obligation in terms of current norms. Department has considered and refixed the export obligation which need to be fulfilled by March 31, 2011. Based on the revised approval the Company has fulfilled the obligation and is awaiting the final order from the Department in respect of the earlier obligation. Consequently and according to the Company there will be no contingent liability as on 31.03.2010.	Nil	Nil
xii)	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 Ascertainable	Not Ascertainable
xiii)	Arrears of dividend on cumulative preference shares for the period from April 1, 2004 to March 31, 2010 (as at March 31, 2009 for the period from April 1, 2004 to March 31, 2009) (including tax thereon).	95,643	79,527
xiv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of Rs. 20 million (Previous year Rs. 20 million) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of Rs.20 million along with dividends in arrears of Rs.20.56 million 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
(b)	Estimated amount of contracts remaining to be executed on capital account and not provided for.	44,943	44,943

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.

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...)

(Rs. in 000's)

		As at 31.03.2010	As at 31.03.2009
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.	39,776	208,990
	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.	841,784	770,766
	iii) Against pledge of fixed deposits	74,828	80,926
	iv) Against security of Motor Cars	561	734
	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	410,011	559,605
	vi) Term loan at LDW is secured by fixed assets	111,870	133,409
	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 the Company.	927,019	1,171,465
	B Against assets purchased on finance lease	67,702	79,019
	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.	16,466	32,933

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 Rs.65 million 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 received approval under section 314 (2) of the Companies Act, 1956 from the Central Government with effect from 17th September 2008 in respect of remuneration to a relative of a director. However, the earlier approval expired on 15th July 2008. Remuneration paid for such period on the basis of the earlier order is Rs.0.17 million.
7. 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.
8. Current assets, loans and advances include Rs.33.015 million (Previous year Rs.29.468 million) due from private limited companies in which directors are interested.
9. 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/ margin money with banks, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/reconciliation. Effect on revenue is not expected to be material.

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...)**

- 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 Rs.52.344 million 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.
10. a. Due to various problems and issues faced in implementation of SAP R/3 systems in one unit as explained in note 13 (a) of schedule 'N' of the consolidated financial statements of the Company for the year 2008-2009, the Company is in the process of a fresh implementation of a new version of said software. Pending implementation of materials and production modules, closing stocks of all inventories of this unit have been adopted as per physical inventory taken by the management at the end of the year.
- b. The Company has initiated steps to bring the valuation of work in progress and finished goods at certain units in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the Company.
11. a. During the year, the Company has implemented SAP ERP software in certain units. Inventory at these units as at March 31, 2010 have been based on moving weighted average and labour/ 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 of the year is not ascertained.
- b. The depreciation on additions has been calculated on monthly prorated basis instead of quarterly basis in certain units where SAP ERP system has been implemented. Effect of such change on the revenue for the year is not ascertained.
12. Capital work in progress includes Rs.33.856 million where the concerned assets have not been installed for several years. The Company holds a provision of Rs.7.841 million for diminution in value of the same. Management is taking steps to dispose of these assets and is confident of recovery of the un-provided amount.
13. a) Current Assets, Loans & Advances include Rs.22.718 million (previous year Rs.42.310 million) 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.
14. Salaries, wages & bonus includes Rs.22.193 million amount paid towards voluntary retirement scheme at certain units during the year.
15. Remuneration to Managing Director & other whole time directors:

Particulars		(Rs. in 000's)	
		Current Year	Previous year*
a)	Managing Director		
	Salary	16,463	3,837
	Contribution to Provident & Other Funds	4,445	907
	TOTAL	20,908	4,744
b)	Whole Time Director - Joint Managing Director (w.e.f 17 th October 2008) *		
	Salary	5,912	1,980
	Contribution to Provident & Other Funds	1,591	578
	TOTAL	7,503	2,558
	Grand Total	28,411	7,302

Liability in respect of accrued gratuity & compensated absence are not ascertainable separately.

* Previous year figures doesn't include amount paid Rs.5,204 in capacity as president and CEO of Kaytee Switchgear Limited.

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 Managing & Joint Managing director of the Company.

The shareholders in their meeting held on September 24, 2009 have approved higher remuneration payable to the Joint Managing Director of the Company. The Company has applied for approval from Central Government in respect of the same. Pending receipt of approval, no provision has been made in the financial statements for the amount payable Rs.290 (in 000's), based on the shareholders approval.

The above data doesn't include remuneration to managing director of step down subsidiary amounting to Rs.11,811 (Previous year Rs.7,865) (Rs. In 000's).

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...)

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

Defined Contribution Plan:

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

	Current Year (Rs. 000's)	Previous year* (Rs. 000's)
Employer's Contribution to Provident Fund & Pension Scheme	35,070	37,053
Employer's Contribution to Superannuation Fund	12,696	8,054
Employer's contribution to Social security (in case of LDW)	139,135	89,679

Defined Benefit Plan:

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

(Rs. in 000's)

	Current Year		Previous year	
	Gratuity (Funded)	Compensated absence (Unfunded)	Gratuity (Funded)	Compensated absence (Unfunded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	210,190	38,747	180,712	37,672
Current Service Cost	9,971	7,431	1,871	2,586
Interest Cost	14,672	2,603	2,474	766
Acquisition adjustment	-	-	(1,521)	
Actuarial (gain)/ loss	5,071	99	43,162	711
Benefits Paid	(28,400)	(6,411)	(16,508)	(2,988)
Defined Benefit obligation at end of the year	211,504*	42,469#	210,190	38,747
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year *	99,706		76,179	
Acquisition adjustment	-		512	
Expected return on plan assets	9,725		4,135	
Employer Contribution	38,258		32,815	
Benefits paid	(28,400)		(16,508)	
Actuarial gain/ (loss)	(326)		2,573	
Fair value of plan assets at year end	118,963		99,706	
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	118,963	-	99,706	-
Present value of obligation	211,504	42,469	210,190	38,747
Amount recognised in Balance Sheet	92,541*	42,469#	110,484	38,747
4. Expense recognised during the year: (under "Schedule – M" Operating & Other expenses of the Profit and Loss account)				
Current Service Cost	9,971	7,431	1,871	2,586
Interest Cost	14,672	2,603	2,474	766
Expected return on plan assets	(9,725)	-	(4,135)	
Actuarial (gain)/ loss	4,745	99	40,589	711
Net Cost	19,663*	10,133	40,799	4,063

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

(Rs. in 000's)

	Current Year		Previous year	
	Gratuity (Funded)	Leave (Unfunded)	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%	7.30% to 7.50%	7.30% to 7.50%
Expected rate of return on plan assets (per annum)	9.25% to 9.40%	Nil	9.30%	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 Rs.14.139 million, which has not been included in the above table.

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 certified by the actuary.

There are no defined benefit plans at the foreign subsidiaries.

doesn't include Rs.21,693 (000's) of LDW.

17. 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 Company

Rs. in 000s

	Particulars	Primary Segment		Others	Total
		Power Generation & Distribution	Rotating Machines Group		
1	Segment Revenues				
	External Revenues	4,496,139 (4,933,071)	7,536,264 (6,436,846)	444,497 (510,131)	12,476,900 (11,880,048)
	Intersegment revenues	130,783 (148,332)	18,209 (228,249)	44,729 (15,969)	193,721 (392,550)
	Total Revenues	4,626,922 (5,081,403)	7,554,473 (6,665,095)	489,226 (526,100)	12,670,621 (12,272,598)
2	Segment Results: Profit Before Taxation and Interest	673,228 (489,008)	585,633 (507,899)	196,458 (202,225)	1,455,319 (1,199,132)
	Less: Interest				301,582 (297,106)
	Less: Depreciation & Amortizations				213,530 (222,307)
3	Unallocable Expenditure				385,187 (431,753)
4	Unallocable & Other Income (including Extraordinary items)				78,046 (130,618)
5.	Share of Profits/ (losses) in the Associates (Net)				(2,584) (1,633)
6.	Share of Profit/ (loss) in a Jointly Controlled entity				- (-170)
7.	Minority interest – Share of Profits				6,331 (3,712)
	Less: Tax (including FBT)				114,543 (44,255)
	Total Profit				509,608 (332,081)

KIRLOSKAR ELECTRIC COMPANY LTD.

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...)

Rs. in 000s				
	Particulars	Primary Segment		Total
		Power Generation & Distribution	Rotating Machines Group	
8	Segment Assets	1,826,223 (1,558,809)	4,592,844 (4,699,564)	6,722,625 (6,518,919)
9	Unallocable Assets			1,873,712 (2,582,511)
10	Segment Liabilities	1,146,871 (992,737)	1,959,530 (1,843,547)	3,268,730 (2,949,945)
11	Unallocable Liabilities			3,288,612 (4,339,688)
12	Capital Expenditure	13,938 (73,750)	116,022 (39,172)	133,662 (119,076)

(ii) Geographical Segment:

(Rs. 000's)

Particulars	Segment revenue by geographical Market	
	Current year	Previous year
Sales of India	8,840,453	9,617,519
Sales of overseas	3,636,447	2,262,529
Total	12,476,900	11,880,048

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets:

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	Current year	Previous year	Current year	Previous year
Located in India	5,365,323	5,525,704	239,304	272,895
Located outside India	3,231,014	3,575,726	104,118	128,702
Total	8,596,337	9,101,430	343,422	401,597

18. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
2	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 Vijayyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijaykirthi Investment and Agencies Private Limited. Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

(Rs in 000's)		
Nature of transactions	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	Nil (Nil)	47,749 * (74,004)
Sale of goods/fixed assets/ services	Nil (Nil)	10,536 ^ (14,709)
Purchase of Fixed Assets from Ravindu Motors Pvt Ltd	Nil	1,999 (Nil)
Purchase of leasehold interest in Land & Building from Kirloskar Batteries Pvt Limited subject to registration of sale deed pending	Nil	150,000 (Nil)
Rent received from Ravindu Motors Pvt Ltd	Nil	2,647 (2,568)
Rent paid	1,600** (5,280)	41,622## (25,500)
Investments as on 31.03.2010	Nil	5,909 ++ (8,289)
Provision for diminution in value of investments as on 31.03.2010	Nil	Nil @ (2,380)
Investments written off during the year	Nil	2,380 @ (Nil)
Provision for doubtful advances as on 31.03.2010	Nil	32,246\$ (32,246)
Amount due to Company as at 31.03.2010	2,700! (2,700)	92,695 !! (269,563)
Amount due from Company as at 31.03.2010	Nil (Nil)	21,231\$\$ (967)
Remuneration paid	41,790 ^^^ (21,895)	Nil
Interest on fixed deposit paid to Meena Kirloskar	65 (Nil)	Nil
Fixed deposit accepted during the year and outstanding as at 31.03.2010 from Meen Kirloskar	2,500 (Nil)	Nil
Shares allotted pursuant to Scheme (at face value)	Nil ∞ (34,315)	Nil £ (59,541)
Redemption of Preference Shares to Abhiman Trading Company	Nil	467 (Nil)

* Includes Purchases of goods/services from Kirloskar Batteries Private Limited Rs.26,641 (previous year Rs.52,090), Vijay Farms Pvt. Limited Rs.5,918 (Previous year Rs.5,834), Sri Vijaydurga Investments and Agencies Private Limited Rs.9,595 (Previous year Rs.8,377), Vijay Jyothi Investments and Agencies Private Limited Rs.68 (Previous year Rs.1,983) and Abhiman Trading Company Limited Rs.5,527 (Previous year Rs.5,720).

^ Includes sales to Kirloskar Batteries Private Limited Rs.9,449 (Previous year Rs.14,709) and Ravindu Motors Private Limited Rs. 1,087 (Previous year Rs.Nil).

** Includes rent paid to Vijay R Kirloskar Rs.Nil (Previous year Rs.3,780) and Meena Kirloskar Rs.1,600 (Previous year Rs.1,500).

Includes rent paid to Kirloskar Power Equipments Limited Rs.21,600 (Previous year Rs.9,900), Vijay Jyothi Investment and Agencies Pvt Ltd Rs.15,600 (Previous year Rs.15,600), Sri Vijaydurga Investments and Agencies Private Limited Rs.1,800 (Previous year Rs.Nil) and Kirloskar Batteries Pvt Ltd Rs.2,622 (Previous year Rs.Nil).

++ Includes investments in Kirloskar Power Equipments Limited Rs.5,909 (Previous year Rs.5,909) and Kirloskar Computer Services Limited Rs.Nil (Previous year Rs.2,380).

@ Represents Kirloskar Computer Services Limited Rs.2,380 (Previous year 2,380).

\$ Represents Kirloskar Computer Services Limited.

! Represents due from Meena Kirloskar

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...)

- \$\$ Includes due to Kirloskar Batteries Private Limited Rs.21,231 (Previous year Rs.821) and Ravindu Motors Private Limited Rs.Nil (Previous year Rs.146).
- ∞ Includes Shares allotted to Vijay R Kirloskar Rs.Nil (Previous year Rs. 34,303) and P S Malik Rs.Nil (Previous year Rs.12)
- ^^^ Includes paid to Vijay R Kirloskar Rs.20,908 (Previous year Rs.4,744), P S Malik Rs.7,503 (Previous year Rs. 7,762), Meena Kirloskar Rs.25 (Previous year Rs. Nil), Janki Kirloskar Rs.1,007 (Previous year Rs.1,167), Rukmini Kirloskar Rs.536 (Previous year Rs.357) and Bethold Groeneveld Rs.11,811 (Previous year Rs.7,865).
- !! Includes due from Kirloskar Power Equipments Limited Rs.27,630 (previous year Rs.42,774), Kirloskar Computer Services Limited Rs.32,246 (Previous year Rs.32,246), Vijay Farms Pvt. Limited Rs.17,707 (Previous year Rs.18,183), Kirloskar Batteries Private Limited Rs.Nil (Previous year Rs.29,468), Vijay Jyothi Investments and Agencies Private Limited Rs.10,480 (Previous year Rs.141,688), Abhiman Trading Company Limited Rs.3,607 (Previous year Rs. 4,048), Vijay Keerthi Investment and Agencies Private Limited Rs.60 (Previous year Rs.60), Vijaydurga Investments and Agencies Pvt Ltd Rs.865 (Previous year Rs.1,064) and Ravindu Motors Private Limited Rs.100 (Previous year 62).
- £ Includes Shares allotted to Vijay Farms Pvt Ltd Rs.Nil (Previous year Rs. 14,639), Vijay Jyothi Investments & Agencies Pvt Ltd Rs.Nil (Previous year Rs.12,000), Abhiman Trading Co Pvt Ltd Rs.Nil (Previous year Rs. 20,902) and Vijay Kirthi Investments & Agencies Pvt Ltd Rs.Nil (Previous year Rs.12,000).

19. 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.

(Rs. in 000's)

Particulars	Total minimum lease payments outstanding as at 31.03.2010	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at 31.03.2010
Within One year	26,255 (23,721)	7,347 (8,520)	18,908 (15,201)
Later than one year but not later than five years	56,998 (73,869)	8,204 (10,051)	48,794 (63,818)
Total	83,253 (97,590)	15,551 (18,571)	67,702 (79,019)

20. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.81,766 (Rs.65,577).

21. Earnings per share:

PARTICULARS	31.03.2010 Rs. (000's)	31.03.2009 Rs. (000's)
BASIC & DILUTED :		
After extraordinary items		
Profit for the year after tax expense	509,608	332,081
Less:		
Preference Dividend including dividend tax	17,733	19,796
	491,875	312,285
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (Rs.)	9.73	6.18
Before extraordinary items		
Profit for the year after tax expense	509,608	332,081
Less: extraordinary item (net of tax)	6,957	Nil
	502,651	332,081
Less:		
Preference Dividend including dividend tax	17,733	19,796
	484,918	312,285
Weighted No. of Equity Shares for Basic EPS	50,521,367	50,521,367
Basic EPS (Rs.)	9.59	6.18

SIXTY THIRD ANNUAL REPORT 2009-10

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...)

22. DETAILS OF DEFERRED TAX LIABILITY

Rs. in 000's

	As at 31.03.2010	As at 31.03.2009
Liability relating to value of fixed assets	222,359	234,343
Asset relating to Disallowance and Unabsorbed loss & depreciation under the Income Tax Act, 1961(recognized only to the extent of net liability)	222,359	234,343
Net amount	Nil	Nil

23. 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:

Rs. in 000's

Particulars	Compensated absences	Wage arrears	Stamp duty	Warranty Claims *
Balance outstanding at the beginning of the year	61,051 (37,672)	-	65,000 (-)	61,507 (44,359)
Provision for the year (net)	9,522 (26,367)	7,000 (-)	- (65,000)	10,441 (17,898)
Amount paid	6,411 (2,988)	-	-	-
Exchange fluctuation difference	-	-	-	3,197 (750)
Balance outstanding at the end of the year	64,162 (61,052)	7,000 (-)	65,000 (65,000)	68,751 (61,507)

* includes provision held at LDW Rs. 25,751(Rs.22,303) (Rs.in 000's)

24. There were no derivative instruments outstanding as at March 31, 2009. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at March 31, 2010 is as follows:

Rs. in 000's

Particulars	As at 31.03.2010 Rs. in 000's	As at 31.03.2009 Rs. in 000's
Assets (Receivables)	25,228	41,387
Liabilities (Payables)	11,650	17,665

25. Figures have been rounded off to the nearest "000's" as permitted by Government of India Notification No.GSR: 14(E) dated 23.12.1978.

26. 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 and on behalf of Board of Directors

For **B.K. RAMADHYANI & CO.**
Chartered Accountants

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

CA SHYAM RAMADHYANI
Partner

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Place : Bangalore

Date : July 10, 2010

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									
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	Not dealt with in the Holding Company's accounts			Dealt with in the Holding Company's accounts
						For the financial year ended 31 st March, 2010	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31 st March, 2010	
1	Kirsons B.V.	31.3.2010	11.8.2008	1059 Shares of € 100 each	100%	€ (350631)	€ (496245)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2010	1.9.2008	€ 3160000 Capital	94.9%	€ 1907188	€ 1107262	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2010	1.9.2008	€ 25000 Capital	100%	€ 1062	€ 63	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

P S MALIK
Joint Managing Director

P Y MAHAJAN
Associate Vice President &
Company Secretary

CA R.K. GUPTA
Vice President &
Chief Financial Officer

Bangalore
Date : 10th July, 2010

KIRSONS B.V.

Annual Report fo the year ended 31st March 2010

FINANCIAL STATEMENTS

To the Board of Managing Directors of
Kirsons B.V.
Prins Bernhardplein 200
1000 AZ AMSTERDAM

Capelle aan den IJssel, July 6, 2010

Dear Sirs,

According to your assignment we have audited the financial statements of 2009-2010 of Kirsons B.V., further referred to as "the company", which we are pleased to present to you now.

A. SCOPE OF ENGAGEMENT

According to your assignment we have audited the 2009-2010 financial statements of Kirsons B.V., Amsterdam. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are included in the 2009-2010 annual accounts attached to this report.

B. GENERAL INFORMATION

B.1 Registration

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

B.2 Share capital

The company has a statutory capital of EUR 390,000 consisting of 3,900 shares with par value of EUR 100. Until March 31, 2010, 1.059 shares have been issued and paid-up.

All shares are held by Kirloskar Electric Company Limited.

B.3 Currency exchange rates

The reporting currency of the company is EUR.

All transactions in the reporting year were denominated in EUR.

Signing of the report of the auditors

We trust to have been of service. We are available to provide further explanation should you have questions or comments.

Capelle aan den IJssel, July 6, 2010

Accinterra B.V.

Erik R. Terpelle, Chartered Accountant

1 BALANCE SHEET AS OF MARCH 31, 2010

in EUR, after appropriation of the result

	March 31 2010	March 31 2009
	€	€
ASSETS		
Financial fixed assets		
Participations in group companies	20,788,971	20,646,557
Current assets		
Receivables from group companies	5,859,959	5,575,647
Tax receivables	212,519	59,999
Other current assets	0	56,600
Cash	46,149	18,138
	6,118,627	5,710,384
Total	26,907,598	26,356,941
EQUITY AND LIABILITIES		
Shareholders' equity		
Issued and paid up share capital	105,900	83,400
Share premium	11,570,716	8,626,511
Other reserves	-846,876	-496,245
	10,829,740	8,213,666
Long-term liabilities		
Debts to banks	15,300,000	17,000,000
Current liabilities, accruals and deferred income		
Group companies	477,571	212,346
Accounts payable	23,131	86,547
Accruals and deferred income	277,156	844,382
	777,858	1,143,275
Total	26,907,598	26,356,941

FINANCIAL STATEMENTS

2 PROFIT AND LOSS ACCOUNT APRIL 1, 2009 - MARCH 31, 2010

	April 1, 2009-March 31, 2010	Aug 11, 2008-March 31, 2009
	€	€
Net turnover from advisory services	92,900	56,600
Expenses		
General expenses	195,909	125,740
Operational expenses	195,909	125,740
Operational result	-103,009	-69,140
Financial result		
Interest income	284,312	151,010
Interest expenses	-525,706	-575,249
Bank charges, interest and related expenses	-8,774	-2,866
Foreign exchange result	2,546	0
	-247,622	-427,105
Result before taxation	-350,631	-496,245
Income tax	0	0
Result after taxation	-350,631	-496,245

3 NOTES TO THE FINANCIAL STATEMENTS

3.a GENERAL INFORMATION

Activities

The activities of the company primarily consist of performing (trade) activities and rendering of services relating to electric motors and other products, as well as the incorporation, acquisition and financing of other companies.

Non-consolidation of sub-group

Based on article 2:408 of the Netherlands Civil Code, the company applies exemption to prepare consolidated financial statements. The company's financial statements as well as those of its subsidiaries are included in the consolidated accounts of its 100% parent company, Kirloskar Electric Company Limited in India.

Participating interest

The company has a share of more than 20% in the following companies:

Name	Residence	Share in capital
Lloyd Dynamowerke GmbH & Co KG	Bremen	94,9%
Lloyd Beteiligung-GmbH	Bremen	100,0%

Related parties

In addition to above mentioned companies, the company has had transactions with the following related parties during the book year 2009-2010:

Kirloskar Electric Company Ltd	India
Kirloskar (Malaysia) SDN BHD	Malaysia

3b GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Change in presentation of received share application money pending allotment

As of book year 2009-2010, monies received for the purpose of being allotted to share capital, will not be recorded under equity as long as the allotment has not been finalized. As a result the comparing figures have been adjusted: the shareholders' equity at March 31, 2009 is reduced by EUR 265,000. This amount is now recorded under the current liabilities, accruals and deferred income. The change in presentation has no effect on the results of the company.

Translation of foreign currencies

Transactions arising in foreign currencies are translated into currency of record at the approximate date ruling at the end of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated into currency of record at the balance sheet exchange rates of exchange. Resulting gains and losses are recognized in the statement of income.

3c PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES**Financial fixed assets**

The participations in group companies are valued at cost price according reporting guideline RJ 214,325 since the exemption of article 2:408 of the Netherlands Civil Code is applied.

Receivables

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

3d PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Revenues resulting from sale of goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Revenues from services are recognised in proportion to the services rendered. The cost price of these services is allocated to the same period.

Net turnover

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

Expenses

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

Taxation on result

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

3e NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

		March 31, 2010	March 31, 2009
		€	€
Financial fixed assets			
Participations in group companies			
Lloyd Dynamowerke GmbH & Co KG	Germany	20,755,034	20,612,620
Lloyd Beteiligung GmbH	Germany	33,937	33,937
		<u>20,788,971</u>	<u>20,646,557</u>
Lloyd Dynamowerke GmbH & Co KG			
Book value at start book year		20,612,620	0
Purchase 94,9% share		0	20,612,620
Cost additions during the year		142,414	0
Cost price 94,9% share at end of book year		<u>20,755,034</u>	<u>20,612,620</u>
Lloyd Beteiligung GmbH			
Book value at start book year		33,937	0
Purchase 100% share		0	33,937
Cost price 100% share at end of book year		<u>33,937</u>	<u>33,937</u>

FINANCIAL STATEMENTS

	March 31, 2010	March 31, 2009
	€	€
Current assets		
Receivables from group companies		
Shareholders' loan to Lloyd Dynamowerke GmbH & Co KG	5,859,959	5,575,647
<i>Shareholders' loan to Lloyd Dynamowerke GmbH & Co KG</i>		
Book value at start book year	5,575,647	5,014,637
New loans	0	410,000
Interest book year	284,312	151,010
	5,859,959	5,575,647
The company can not claim repayments of its shareholders' loan from Lloyd Dynamowerke GmbH & Co KG, until the balance sheet of said company meets the following criteria: The shareholders loan and equity accounts combined must be at least 40% of the balance sheet total.		
Tax receivables		
Value added tax in The Netherlands	2,163	9,816
Value added tax in Germany	15,068	7,303
Foreign withholding tax to be offset	195,288	42,880
	212,519	59,999
Other current assets		
Management services to be invoiced	0	56,600
Cash		
ING EUR 680874488	46,149	18,138
Shareholders' equity		
Issued and paid-up share capital		
At the incorporation on August 11, 2008 180 shares have been issued. On March 31, 2010 the number of issued shares has increased to 1059. All shares are paid up and have a par value of EUR 100.		
Movement in issued and paid up shares		
Balance as of April 1	83,400	18,000
New issued and paid up shares during the book year	22,500	65,400
Balance as of March 31	105,900	83,400
Share premium		
Balance as of April 1	8,626,511	0
Share premium paid on new issued shares	2,944,205	8,626,511
Balance as of March 31	11,570,716	8,626,511
Other reserves		
Balance as of April 1	-496,245	0
Result financial yea	-350,631	-496,245
Balance as of March 31	-846,876	-496,245
Long-term liabilities		
Debts to banks		
Loan ICICI Bank		
Balance as of April 1	17,000,000	0
Loan granted	0	17,000,000
Redemptions	-1,700,000	0
Balance as of March 31	15,300,000	17,000,000

The loan was granted on September 8, 2008 for a 6 year period. Redemption in 20 equal quarterly instalments of EUR 850,000 commencing from December 2009 until September 2014. An amount of EUR 3,400,000 is to be redeemed within 12 months after balance sheet date. The interest rate is 3 month EURO LIBOR plus 2 percent. The bank loan is secured by pledge of shares of the company and its subsidiaries.

	March 31, 2010	March 31, 2009
	€	€
Current liabilities, accruals and deferred income		
Group companies		
Lloyd Dynamowerke GmbH & Co KG	369,629	42,880
Kirloskar Electric Company Limited	107,942	19,466
Kirloskar (Malaysia) SDN BHD	0	150,000
	<u>477,571</u>	<u>212,346</u>
Accounts payable		
Nominal value	<u>23,131</u>	<u>86,547</u>
Accruals and deferred income		
Share application money pending allotment	155,000	265,000
Interest loan ICICI bank	24,293	40,074
Audit fee	7,000	0
Interest loan Kirloskar Malaysia SDN BHD	6,510	0
Kirsons Trading PTE Ltd	0	150,000
Other liabilities, accruals and deferred income	84,353	389,308
	<u>277,156</u>	<u>844,382</u>
3f NOTES TO THE SPECIFIC ITEMS OF THE PROFIT AND LOSS ACCOUNT		
General expenses		
Advisory from parent company	88,476	53,905
Notary expenses	40,871	0
Legal service cost	8,374	0
Tax advise, VAT & Corporate tax filing	18,443	0
Audit expenses 2008-2009	7,159	5,000
Other advisory expenses	11,617	66,641
Trust services	13,846	0
Audit expenses 2009-2010 (reservation)	7,000	0
Other general expenses	123	194
	<u>195,909</u>	<u>125,740</u>
Interest income		
Income from interest on shareholders loan LDW	<u>284,312</u>	<u>151,010</u>
Interest expense		
Interest loan ICICI Bank	517,489	573,648
Interest loan Kirsons Singapore	2,502	806
Interest loan Kirsons Malaysia	5,715	795
	<u>525,706</u>	<u>575,249</u>
Bank charges, interest and related expenses		
Bank charges	3,832	2,946
Bank facility agency fee (ICICI, Canada)	5,000	0
Bank interest	-58	-80
	<u>8,774</u>	<u>2,866</u>
Signing of the financial statements		
Amsterdam		

Mr. Vijay R. Kirloskar

Mr. P.S. Malik

4 OTHER INFORMATION

Auditor's report

Reference is made to the auditor's report as included hereinafter.

Statutory rules concerning appropriation of result

Following is an unofficial English translation of article 28 of the Articles of Association of the company:

Article 20 : Appropriation of profit

- 1 The profit shall be at the free disposal of the general meeting.
- 2 The company may only make distributions to the shareholders and others entitled to the profit available for distribution in so far as the equity exceeds the paid-up and called-up 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 such distribution is permitted.
- 4 On shares acquired by the company in its own capital or 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 The company may make interim distributions only if the requirements of paragraph 2 have been fulfilled.
- 6 The general meeting may resolve that dividends will be paid out entirely or partly in another form than money.
- 7 Deficits may only be utilized from reserves that are mandatory by law, if 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 dividends shall expire five years after the day they become claimable.

Appropriation of result for the financial year 2008-2009

The annual report 2008-2009 is determined in the general meeting of shareholders held on July 16, 2009.

The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2009-2010

The board of directors proposes that the loss for the financial year 2009-2010 amounting to EUR 350,631 will be deducted from the other reserves.

The financial statements do reflect this proposal.

5 AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Kirsons B.V., Amsterdam, which comprise the balance sheet as at March 31, 2010, the profit and loss account for the year then ended and the notes.

Management's responsibility

The management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9, Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the 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, 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of The Netherlands Civil Code.

Capelle aan den IJssel, July 6, 2010

Erik R. Terpelle, Chartered Accountant
Accinterra BV

LLOYD DYNAMOWERKE GmbH & CO. KG
BREMEN

Audit Report

**Annual Financial Statement as at 31st March 2010
and Management Report**

1. Audit assignment

At the shareholders meeting of

“Lloyd Dynamowerke GmbH & Co KG, Bremen”
(also referred to in the following as “Company”)

on 17th July 2009 we were selected as the auditor for the annual accounts for the fiscal year 2010. In execution of the order granted us by the management, we have audited

- the annual statement of accounts (balance sheet) for 31st March 2010 (Annex 1 - 3)
- the management report for the fiscal year 2010 (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 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 7. 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 order related. 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 on 21st April 2010 are kept by the head of quality management. Non-order-based risks were reported in 2009 for the area of the test bay, as already in the previous year. Therefore an investment volume in the amount of t€ 500 has been determined for this area, which was completed to a large extent at the end of 2009. 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).

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 intermittently during the period from 6th April 2010 until 31st May 2010.

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
- Reserves
- Receivables and liabilities from deliveries and services
- Other accrued liabilities
- Liabilities to credit institutions
- Other liabilities
- 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.

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 risks 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 24th April 2009. 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.

FINANCIAL STATEMENTS

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 2010 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 2010		31st March 2009		Changes	
	t€	%	t€	%	t€	
Assets						
Fixed Assets						
Intangible and tangible assets	5,678	22.7	5,041	19.6	+	637
Financial assets	18	0.1	18	0.1		0
	<u>5,696</u>	<u>22.8</u>	<u>5,059</u>	<u>19.7</u>	+	<u>637</u>
Current Asset						
Inventories (incl. payments received on account)	5,649	22.6	7,940	30.9	-	2,291
Trade receivables	9,752	39.0	8,251	32.3	+	1,501
Receivables from shareholders	391	1.6	56	0.2	+	335
Receivables from group companies	196	0.8	23	0.1	+	173
Other assets	173	0.7	1,321	5.1	-	1,148
Cash and equivalents	2,927	11.7	2,769	10.8	+	158
	<u>19,088</u>	<u>76.4</u>	<u>20,360</u>	<u>79.4</u>	-	<u>1,272</u>
Prepaid expenses	<u>212</u>	<u>0.8</u>	<u>237</u>	<u>0.9</u>	-	<u>25</u>
	<u>24,996</u>	<u>100.0</u>	<u>25,656</u>	<u>100.0</u>	-	<u>660</u>
LIABILITIES						
Middle and long-term						
Equity (incl. shareholder loans)	9,682	38.7	7,490	29.2	+	2,192
Bank loans and overdrafts	1,189	4.8	983	3.8	+	206
	<u>10,871</u>	<u>43.5</u>	<u>8,473</u>	<u>33.0</u>		<u>2,398</u>
Short-term						
Provisions	3,135	12.5	2,291	8.9	+	844
Bank loans and overdrafts	7,395	29.6	9,074	35.4	-	1,679
Trade liabilities	2,549	10.2	4,944	19.3	-	2,395
Other liabilities	1,046	4.2	874	3.4	+	172
	<u>14,125</u>	<u>56.5</u>	<u>17,183</u>	<u>67.0</u>	-	<u>3,058</u>
	<u>24,996</u>	<u>100.0</u>	<u>25,656</u>	<u>100.0</u>	-	<u>660</u>

Financial position

	t€
Profit for the period	+ 1,907
Essential expenses and earnings without influence to the liquidity	
Depreciation of current assets	+ 350
Depreciation of fixed assets	+ 832
	+ 3,089
Changes of Inventories, Trade receivable and Other assets	+ 1,105
Changes of Trade liabilities and other liabilities	- 1,379
Cash flow from operating activities	+ 2,815
Payments-off for investments in fixed assets	- 1,500
Payments-in from disposals of fixed assets	+ 31
Cash flow from investment activities	- 1,469
Borrowing loan	+ 500
Credit on shareholder accounts	+ 284
Loan redemption	- 589
Cash flow from financial activities	+ 195
Changes of Cash and equivalents	+ 1,541
Cash and equivalents - Opening Balance	- 5,352
Cash and equivalents - Closing Balance	- 3,811
Cash and equivalents	+ 2,927
Short-term overdrafts facility	- 6,738
Cash and equivalents - Closing Balance	- 3,811

Results of operations

	2009-2010		2008-2009		Changes
	t€	%	t€	%	t€
Sales	50,827	105.8	55,706	93.4	- 4,879
Changes in work in progress	- 3,095	- 6.4	+ 3,571	6.0	- 6,666
Other own work capitalized	+ 270	+ 0.6	+ 379	0.6	- 109
Overall performance	+ 48,002	100.0	+ 59,656	100.0	- 11,545
Other operating income	+ 523	1.1	+ 558	0.9	- 35
Operating performance	+ 48,525	101.1	+ 60,214	100.9	- 11,580
Cost of materials	21,329	44.4	33,172	55.6	+ 11,843
Personnel expenses	14,588	30.4	13,199	22.1	- 1,389
Depreciation	832	1.7	606	1.0	- 226
Other taxes	65	0.1	54	0.1	- 11
Repairs and maintenance	474	1.0	405	0.7	- 69
Administrative expenses	1,608	3.3	1,984	3.3	+ 376
Selling expenses	2,271	4.7	2,208	3.7	- 63
Other operating expenses	3,645	7.6	5,534	9.3	+ 1,889
Expenses for the operating performance	44,812	93.2	57,162	95.8	+ 12,350
Operating result	+ 3,713	7.9	+ 3,052	5.1	+ 661
Financial result	- 1,060		- 976		- 84
Ordinary result	+ 2,653		+ 2,076		+ 577
Non-operating result	- 677		- 184		- 493
Income taxes	- 69		+ 78		- 147
Profit	+ 1,907		+ 1,970		- 63

FINANCIAL STATEMENTS

	2009-2010	2008-2009
	t€	t€
Non-operating expenses		
Depreciation on exceptional amounts written off current assets	- 350	- 209
Expenses from the		
transfer of provision for specific doubtful debts	- 195	- 130
transfer of general provision for doubtful debts	- 9	- 2
Write-off debts	- 124	- 0
Compensation	- 100	- 240
Other expenses related to other periods	- 60	- 183
	<u>- 838</u>	<u>- 764</u>
Non-operating income		
Dissolution of provision for specific doubtful debt	+ 124	+ 41
Foreign currency gains	+ 1	+ 28
Dissolution of provision	0	+ 211
Gains from write-off debts	0	+ 165
Appreciation financial assets	0	+ 18
Other income related to other periods	+ 36	+ 117
	<u>+ 161</u>	<u>+ 580</u>
	<u>- 677</u>	<u>- 184</u>

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 2010 and the accompanying managing report (Annex 4) for the fiscal year 2010 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 2009 to 31st March 2010. 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 [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by 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, 31st May 2010

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

signed Wingerning signed Senge
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, 31st May 2010

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Wingerning Senge
German Public Auditor German Public Auditor

Balance Sheet 31st March 2010

Annex-1

Assets	31st March 2010		31st March 2009
	€	€	t€
			Thousand (t)
A. Fixed Assets			
I. Intangible assets			
Licenses		467,606.00	390
II. Tangible assets			
1. Land and buildings	1,790,602.44		1,875
2. Technical equipment and machinery	2,740,309.80		2,055
3. Other equipment, factory and office equipment	679,808.00		503
4. Assets in the course of construction	0.00		218
		5,210,720.24	4,651
III. Financial assets			
Participating interests		18,064.71	18
B. Current Assets			
I. Inventories			
1. Raw materials	2,300,796.00		2,599
2. Work in progress	8,363,674.00		11,459
3. Payments on account	626,075.63		197
4. Payments received on account	-5,641,940.75		-6,315
		5,648,604.88	7,940
II. Receivables and other assets			
1. Trade receivables	9,751,552.47		8,251
2. Receivables from shareholders	391,375.73		56
3. Receivables from affiliated companies	195,915.00		22
4. Receivables from companies in which the company has a participating interest	0.00		1
5. Other assets	173,336.20		1,321
		10,512,179.40	9,651
III. Cash and equivalents		2,926,973.59	2,769
C. Prepaid expenses		212,108.73	237
		<u>24,996,257.55</u>	<u>25,656</u>
Liabilities			
A. Equity			
I. Limited liability capital	3,330,000.00		3,330
II. Capital reserves	55,757.43		56
III. Cumulated losses brought forward by limited partners	-1,472,300.43		-3,442
IV. Profit for the year	1,907,188.19		1,970
		3,820,645.19	1,914
B. Provisions			
Other provisions		3,135,261.83	2,291
C. Liabilities			
1. Shareholder loan	5,859,958.74		5,576
2. Bank loans and overdrafts	8,582,580.01		10,057
3. Trade liabilities	2,549,388.40		4,944
4. Liabilities to general partner	2,132.05		0
5. Other liabilities	1,046,291.33		874
—thereof Taxes: € 416,282.28 (31.3.2009: t€ 259)			
—and Social security: € 8,771.25 (31.3.2009: t€ 13)			
		18,040,350.53	21,451
		<u>24,996,257.55</u>	<u>25,656</u>

FINANCIAL STATEMENTS

Annex-2

Profit and loss account for the financial year 1st April 2009 to 31st March 2010

	1st April 2009 to 31st March 2010			1st April 2008 to 31st March 2009
	€	€	€	t€
1. Sales		50,826,514.16		55,706
2. Changes in work in progress		- 3,095,455.00		+ 3,571
3. Other own work capitalized		270,697.00		379
			48,001,756.16	59,656
4. Other operating income			684,487.55	1,138
			48,686,243.71	60,794
5. Cost of materials				
a) Cost of raw materials, consumables and goods for resale	16,014,237.37			22,249
b) Cost of purchased services	5,315,113.67			10,924
		21,329,351.04		33,173
6. Personnel expenses				
a) Wages and salaries	12,316,129.07			11,249
b) Social security	2,372,114.00			2,190
		14,688,243.07		13,439
7. Depreciation				
a) of fixed intangible and tangible assets		831,939.81		606
b) exceptional amounts written off current assets		350,000.00		209
8. Other operating expenses		8,386,227.24		10,445
			45,585,761.16	
			3,100,482.55	2,922
9. Other interests receivables and similar income		18,164.63		100
10. Interests and similar expenses		1,077,894.41		1,075
- thereof shareholders: € 284,312.07 (i.Vj. t€ 250)				
			-1,059,729.78	- 975
11. Ordinary operating results			2,040,752.77	1,947
12. Income taxes			68,775.80	- 77
13. Other taxes			64,788.78	54
14. Profit for the year			1,907,188.19	1,970

Explanatory notes for the financial statements as at 31st March 2010**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. For a better comparability we take for the figures at the profit and loss account a twelve months period and not the audited figures for the short fiscal year from 1st Januar 2009 – 31st March 2009. For this reason we take also for the position of the balance sheet "Cumulated losses brought forward by limited partners" and "Profit for the year" a twelve months period.

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 straight-line 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 € 150.00 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.

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 2009 / 2010 a net loss of BHD 80,525. Net worth of the company as at 31st March 2010 was BHD 145,693.

FINANCIAL STATEMENTS

Annex-3

Changes of assets from 1st April 2009 to 31st March 2010

	Historical cost					Depreciation				Carrying amount	
	As at 1st April 2009	Additions	Reclassi- fication	Disposals	As at 31st March 2010	As at 1st April 2009	Additions	Disposals	As at 31st March 2010	As at 31st March 2010	As at 1st April 2009
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
Licenses	1,011,306.67	170,820.64	0.00	0.00	1,182,127.31	620,852.67	93,668.64	0.00	714,521.31	467,606.00	390,454.00
II. Tangible assets											
1. Land & buildings	2,100,079.50	0.00	0.00	0.00	2,100,079.50	225,181.06	84,296.00	0.00	309,477.06	1,790,602.44	1,874,898.44
2. Technical equipment and machinery	5,144,793.83	696,974.35	488,873.00	51,149.29	6,279,491.89	3,090,064.03	470,942.35	21,824.29	3,539,182.09	2,740,309.80	2,054,729.80
3. Other equipment, factory and office equipment	1,645,377.99	361,737.82	0.00	55,966.46	1,951,149.35	1,142,123.99	183,032.82	53,815.46	1,271,341.35	679,808.00	503,254.00
4. Assets in the course of construction	218,176.00	270,697.00	-488,873.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	218,176.00
	9,108,427.32	1,329,409.17	0.00	107,115.75	10,330,720.74	4,457,369.08	738,271.17	75,639.75	5,120,000.50	5,210,720.24	4,651,058.24
III. Financial assets											
Participating interests	18,064.71	0.00	0.00	0.00	18,064.71	0.00	0.00	0.00	0.00	18,064.71	18,064.71
	10,137,798.70	1,500,229.81	0.00	107,115.75	11,530,912.76	5,078,221.75	831,939.81	75,639.75	5,834,521.81	5,696,390.95	5,059,576.95

2. Receivables and other assets

Among other assets are reported claims of t€ 10 (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€ 227 (previous year t€ 156) as well as general provisions of t€ 87 (previous year t€ 78) offset against receivables.

3. Accruals and deferred income

The disclosure relates to t€ 45 (previous year t€ 30) 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€ 762), for vacation (t€ 358) and for flex-time account and overtime (t€ 205), for other outstanding invoices (t€ 370), for Employer's Liability Insurance Association (t€ 358) as well as for contractual penalties (t€ 225).

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 2010

	thereof with remaining life				collateralized amounts	nature of collateral
	Total 31st March 2010	up to 1 year	between 1 to 5 years	more than 5 years		
	€ (t€ 31st March 2009)	€ (t€ 31st March 2009)	€ (t€ 31st March 2009)	€ (t€ 31st March 2009)	€ (t€ 31st March 2009)	
Liabilities						
shareholder loan	5,859,959 (5,576)	5,859,959 (5,576)	0 (0)	0 (0)	0 (0)	
to banks	8,582,580 (10,057)	7,394,913 (9,974)	787,667 (83)	400,000 (0)	8,582,580.01 (10,057)	- land charge nominal tEUR 4.838 - blanket assignment of accounts receivable - 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	5,641,941 (6,315)	5,641,941 (6,315)	0 (0)	0 (0)	0 (0)	
trade liabilities	2,549,388 (4,944)	2,549,388 (4,944)	0 (0)	0 (0)	0 (0)	
to general partner	2,132 (0)	2,132 (0)	0 (0)	0 (0)	0 (0)	
other	1,046,291 (874)	1,046,291 (874)	0 (0)	0 (0)	0 (0)	
	<u>23,682,291</u> <u>(27,766)</u>	<u>22,494,624</u> <u>(27,683)</u>	<u>787,667</u> <u>(83)</u>	<u>400,000</u> <u>(0)</u>	<u>8,582,580</u> <u>(10,057)</u>	

8. Other financial liabilities

At balance sheet date there are presumably payment obligations from rental, leasing and service contracts to the amount of t€ 1.075 (previous year t€ 687 p.a.). The underlying contracts have durations up to 42 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 2010 t€	31st March 2009 t€
Domestic	30,561	29,189
Non-domestic	20,266	26,517
thereof EU	11,766	11,389
	<u>50,827</u>	<u>55,706</u>
Sales by operative segment	31st March 2010 t€	31st March 2009 t€
Machinery	41,789	45,448
Services	6,077	7,017
Spare parts	2,665	3,069
Goods for resale	250	211
Other sales	145	153
Sales reductions	-99	-192
	<u>50,827</u>	<u>55,706</u>

2. Other operating income

Income relating to other periods amounting to t€ 161 (previous year t€ 580) are included. Mainly these are income from Dissolution of provision for specific doubtful debt.

3. Other operating expenses

Expenses relating to other periods amounting to t€ 184 (previous year t€ 183) are included. Mainly these are provisions for specific doubtful debts.

Other information**1. Employees**

For 2010 the headcount is depicted as a yearly average as follows:

	2010	2009
Salaried workforce	137	132
thereof apprentices/trainees	11	11
Wage earner	136	142
thereof apprentices/trainees	4	5
Total workforce	273	274

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 financial year of the LDW will also be changedover as of 31st March 2009. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Auditors Fee

	t€
Audit	20
Other Confirmations	17
Tax Consulting	10
Other Services	23

5. General managers (proxy holders)

As at 31st March 2010 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 2010:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Bremen, in April 2010

Management report for the financial year 1st April 2009 to 31st March 2010**1. Financial report****A. Business trend**

To help facilitate adjustment to the fiscal year for the principal shareholder, we have moved our reporting period to the period April through March.

Compared to the same years (2008-2009), revenue in 2009-2010 fell from 55.7 million to € 50.8 million €. This represents a decrease of 8.8%. 60% of sales were achieved in Germany, but the actual locations of equipment can also be worldwide in such transactions since equipment is usually installed by the customer in larger plants.

The materials ratio fell from 55.6% to 44.4%. This decline was particularly evident in the cost of materials of iron, steel and nonferrous metals. These developments are also reflected in the publications of the Zentralverband Elektrotechnik - und Elektroindustrie e. V. (ZVEI). Incoming orders showed a significantly more negative picture. Incoming orders were € 26.3 million, only 44% of the comparison period 2008-2009. Accordingly, the backlog of orders was reduced to € 33 million. For the fiscal year 2010-2011, we expect a recovery in the economic situation and incoming orders of € 50 million.

These figures are consistent with the average figures of the German electrical industry. Sales fell by 20.3% and incoming orders by 27.5%.

B. Earnings, financial and assets situation**Earnings**

Our profit situation is characterized by a focus on quality products. We offer low-cost products only on a limited scale.

Overall, our economic situation can be described as good.

We employ qualified and dedicated staff. Compared to the previous year, personnel expenses increased in 2009-2010 by 1.2 million €. The absolute increase was the result of the acquisition of 10 temporary workers and the negotiated wage increase. The ratio is also higher due the reduced total output. Accordingly, the number of contract workers was reduced almost completely during the financial year 2009-2010. These costs fell from € 1.4 million last year to € 0.3 million. This is also reflected in the extreme reduction of other operating expenses.

Depreciation has increased by € 0.2 million due to the increase in capital expenditure (mainly replacement investments). The largest single item is the depreciation for the newly acquired assembly hall, which is incurred in full for the first time this year.

Maintenance expenses are at the level of the comparison period. These expenses mainly included maintenance of buildings, technical equipment and machinery. High maintenance costs remain in the area of buildings in particular.

Reduced administrative expenses (including legal and consulting fees) result from a rearrangement of the cost of sales in China and amount to € 0.4 million in distribution costs.

Other operating costs were affected mainly by a reduction in contract workers. Another positive impact was the release of provisions for follow-up costs in the amount of 0.2 million € and the low expenditure for contractual penalties in the amount of € 0.1 million (previous year € 0.3 million). Training costs were € 0.2 million, more than twice as high as last year. These costs show our commitment to further qualify our employees so that we can be competitive as a company.

The cost structure is largely unchanged compared to the previous year.

Financial position

The financial position is sound. Liabilities are settled within the payment period and collected within the payment target period.

Our capital structure is balanced; the equity ratio is 38.7%.

Our accounts payable trade (liabilities for goods and services) amounted to 10.2% of the balance sheet total and are paid on a regular basis within the specified payment period.

As in previous years, our transactions were conducted almost exclusively in euros, resulting in no risks from foreign currency transactions.

C. Investments

Investments were made in the necessary replacement of machinery and equipment, as well as of tools and equipment required for the processing of orders. In addition, a replacement investment was made in the test bay.

D. Research and development

Development capacity is used mainly for order processing. Electrical and mechanical design of special machinery is the core of LDW. LDW received a grant for a EU-funded project for the development of the transversal flow machine.

A development project is also being sought with a potential user to develop an even much larger version and to make ready for production.

E. Employees

The number of employees increased from 254 (March 2009) to 260. There are also an additional 16 trainees. The number of contract workers was reduced almost completely by the end of the fiscal year.

The current reorganization collective agreement, which was valid until the end of September, has been replaced by a so called divergent collective agreement. The employees will now get a fixed holiday and a Christmas bonus coupled with the company profit (EBIT). These extra costs are borne by reducing the standard times. The contract is valid until 31/03/2012.

2. Risk Report

The financial instruments existing for the company mainly include receivables, payables and bank balances.

The company has an efficient dunning process; bad debts are the exception.

The liquidity position is satisfactory; there are no expected shortfalls.

Liabilities are paid within agreed payment terms. The company finances itself in the long term with bank loans from three banks. Long standing business relationships exist.

The objective of the company's financial and risk management is to secure against any kind of financial risk. Regarding financial management, the company pursues a very conservative risk policy.

To hedge against the liquidity risk and for maintaining solvency at all times, an ongoing liquidity plan is being created which is constantly adapted to current changes and which serves as the basis for the funding arrangement.

Unless non payment or credit default risks are recognizable, appropriate adjustments are being made.

3. Outlook

The global economic crisis has also left its mark on LDW. In addition to the revenue decline, these effects were clearly evident this past year mainly in incoming orders. However, improvements are already in sight in this area. We are therefore making a slow but gradual

FINANCIAL STATEMENTS

Annex-4

recovery in the global economy. We therefore expect incoming orders for LDW to be roughly equivalent to the expected sales of the next fiscal year. As such, the contract template will secure sales for the coming fiscal year.

The market situation has long been characterized by cut throat competition which has intensified due to the global economic crisis last year. This cut throat competition will be met with our innovative product ideas, the quality of our product scope and with our reliability of service. Our long association with quality conscious manufacturers offers us the possibility of global marketing. We still believe that it is possible to offer quality products at reasonable prices.

According to our expectations, commodity prices will remain at their current low level or increase only slightly for the coming fiscal year.

If the economic recovery in our industry does not occur as expected and short term contracts for LDW fail to materialize, we will have no choice but to use instruments such as reduced working hours or temporary reductions in sector.

Explanation of the positions on the annual financial statements as at 31st March 2010

Annex-5

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

	€ 467,606.00
31st March 2009	€ 390,454.00

Computing software licenses are accounted for.

The carrying amounts have developed as follows:

	€
As at 31st March 2009	390,454.00
Additions	170,820.64
Depreciation	-93,668.64
As at 31st March 2010	467,606.00

II. Tangible Assets

1. Land and buildings

	€ 1,790,602.44
31st March 2009	€ 1,874,898.44

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

The carrying amounts have developed as follows:

	€
As at 31st March 2009	1,874,898.44
Depreciation	-84,296.00
As at 31st March 2010	1,790,602.44

The carrying amounts apply to more land share in the sum of € 682,410.43.

2. Technical equipment and machinery

	€ 2,740,309.80
31st March 2009	€ 2,054,729.80

	€
As at 31st March 2009	2,054,729.80
Additions	696,974.35
Reclassification	488,873.00
Disposals	-29,325.00
Depreciation	-470,942.35
As at 31st March 2010	2,740,309.80

The additions are mainly a lot of tools and cuts (t€ 249), one crane (t€ 121), one turning machine (t€ 106), one vacuum distillation machine (t€ 52) and a transformer (t€ 42). The disposals are some scraps. About a laser engraving machine was made a sale and lease back business deal. The reclassification is a test bay from the assets in the course of construction.

3. Other equipment, factory and office equipment

		€	679,808.00
	31st March 2009	€	503,254.00
		€	
As at 31st March 2009			503,254.00
Additions			361,737.82
Disposals			-2,151.00
Deprecation			-183,032.82
As at 31st March 2010			679,808.00

Of the Additions, t€ 98 apply to low value assets with a maximum value of € 1,000. These assets are depreciated straight line over five years.

4. Assets in the course of construction

	€	0.00
31st March 2009	€	218,176.00

III. Financial Assets

Participating interests

	€	18,064.71
31st March 2009	€	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

		€	5,648,604.88
	31st March 2009	€	7,939,574.51
	31st March 2010	31st March 2009	
	€	€	
1. Raw materials	2,300,796.00		2,599,312.00
2. Work in progress	8,363,674.00		11,459,129.00
3. Payments on account	626,075.63		196,609.94
4. Payments received on account	-5,641,940.75		-6,315,476.43
	5,648,604.88		7,939,574.51

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€ 350 was made.

To 2: Work in progress concerns a large amount (approx. 250) 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 conducted payments in advance to seven suppliers.

II. Receivables and other assets

1. Trade receivables

		€	9,751,552.47
	31st March 2009	€	8,251,008.58
	31st March 2010	31st March 2009	
	€	€	
Gross receivables	10,065,721.72		8,485,443.17
Provision for specific doubtful debts	227,046.74		156,363.08
General provision for doubtful debts	87,122.51		78,071.51
	9,751,552.47		8,251,008.58

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

		€	391,375.73
	31st March 2009	€	56,428.05
	31st March 2010	31st March 2009	
	€	€	
Allowable withholding tax China actual year	188,026.93		0.00
Allowable withholding tax China prior years	174,340.94		36,993.96
Allowable other taxes actual year	29,007.86		0.00
Allowable other taxes prior years	0.00		19,065.42
Others	0.00		368.67
	391,375.73		56,428.05

FINANCIAL STATEMENTS

		Annex-5
3. Receivables from affiliated companies		€ 195,915.00
	31st March 2009	€ 21,920.00
The accounts receivables are for Kirloskar Electric Company Ltd., Bangalore, India.		
4. Receivables from companies in which the company has a participating interest		€ 0.00
	31st March 2009	€ 1,287.64
5. Other assets		€ 173,336.20
	31st March 2009	€ 1,320,733.58
	31st March 2010	31st March 2009
	€	€
Receivable tax office about trade tax 2008 + 2009	70,777.77	139,553.57
Tax on input foreign country	28,735.36	0.00
Suppliers with debit balances	18,126.85	19,138.26
Incentive claim against suppliers	16,200.00	38,800.00
Security deposit automobile	9,758.55	13,758.55
Investment grant, 10% deduction by WfG	9,738.20	9,738.20
Advances for travel expenses	1,560.00	4,110.00
Interest accrual savong accounts	1,373.27	5,986.80
Tax on input	0.00	485,243.58
Claim on insured losses	0.00	270,200.00
Receivables from allowable taxes prior years	0.00	174,340.94
Tax on input prior years	0.00	158,613.68
Others	17,066.20	1,250.00
	<u>173,336.20</u>	<u>1,320,733.58</u>
III. Cash and equivalents		€ 2,926,973.59
	31st March 2009	€ 2,768,940.84
The time deposits apply to six guaranty truster (31st March 2009: six).		
	31st March 2010	31st March 2009
	€	€
Time deposits	2,881,799.84	2,729,362.15
Current account surplus	29,129.82	22,082.80
Cash	16,043.93	17,495.89
	<u>2,926,973.59</u>	<u>2,768,940.84</u>
The time deposits apply to six guaranty truster (31st March 2009: six).		
C. Prepaid expenses		€ 212,108.73
	31st March 2009	€ 236,888.96
The information shown concerns mainly delimited rent, leasing, maintenance and insurance expenses as well as the company's credit on working time accounts (negative hours).		

Liabilities**A. Equity****I. Limited liability capital**

	€ 3,330,000.00
31st March 2009	€ 3,330,000.00

The obligatory deposit consists of:

	31st March 2010	31st March 2009
	€	€
Kirsons B.V., Netherlands	3,160,000.00	3,160,000.00
Herr Dipl.-Ing. Berthold Groeneveld	170,000.00	170,000.00
	<u>3,330,000.00</u>	<u>3,330,000.00</u>

	€ 3,330,000.00
31st March 2009	€ 3,330,000.00

II. Capital reserves

	€ 55,757.43
31st March 2009	€ 55,757.43

III. Cumulated losses brought forward by limited partners

	€ 1,472,300.43
31st March 2009	€ 3,442,620.86

IV. Profit for the period

	€ 1,907,188.19
31st March 2009	€ 1,970,320.43

B. Provisions

Other provisions	€ 3,135,261.83
31st March 2009	€ 2,291,133.93

Provisions for:	31st March 2009	Utilisation	Allocation	31st March 2010
	€	€	€	€
Supplementary grant	5,364.08	5,364.08	761,914.00	761,914.00
Warranties	225,000.00	0.00	200,000.00	425,000.00
Outstanding invoices	526,600.00	526,600.00	370,000.00	370,000.00
Vacation	323,662.13	323,662.13	358,032.00	358,032.00
Employer's Liability	261,423.66	203,923.66	300,000.00	357,500.00
Contractual penalty	303,500.00	303,500.00	225,000.00	225,000.00
Flex-time account and overtime	276,653.06	276,653.06	205,015.83	205,015.83
Compensation	0.00	0.00	100,000.00	100,000.00
Commissions	0.00	0.00	100,000.00	100,000.00
Insurance premium	57,000.00	57,000.00	93,000.00	93,000.00
Follow-up costs	242,500.00	242,500.00	86,000.00	86,000.00
Audit fees	28,456.00	28,456.00	30,000.00	30,000.00
Patent	30,975.00	30,975.00	13,800.00	13,800.00
Storage of businessrecords	10,000.00	0.00	0.00	10,000.00
	<u>2,291,133.93</u>	<u>1,998,633.93</u>	<u>2,842,761.83</u>	<u>3,135,261.83</u>

The supplementary grant contains special payment for the employees (t€ 574) as well as the holiday pay which have to be paid for the first time again. The Employers' liability considered a period of 15 months. The contractual penalty is for payments due to late distribution of the orders. The item "Flexitime account and overtime" mainly contains excess work time of the employees at balance sheet date. The compensation is for one employee. At the moment there is a mediation process with this employee.

FINANCIAL STATEMENTS

Annex-5

C. Liabilities

1. Shareholder loan

	€ 5,859,958.74
31st March 2009	€ 5,575,646.67

2. Bank loans and overdrafts

	€ 8,582,580.01
31st March 2009	€ 10,056,840.03

31st March 2010	31st March 2009
€	€

Overdraft facility

Bremer Landesbank	2,861,617.75	3,868,499.62
Commerzbank	2,431,929.50	2,353,547.45
Deutsche Bank AG, Bremen	1,422,264.04	1,899,208.97
	<u>6,715,811.29</u>	<u>8,121,256.04</u>

Loans

Bremer Landesbank	900,000.00	1,000,000.00
CommerzReal	459,741.86	0.00
Kreissparkasse Verden	236,815.84	518,983.99
Deutsche Bank AG, Bremen	249,800.00	416,600.00
	<u>1,846,357.70</u>	<u>1,935,583.99</u>

Accrued interest

	20,411.02	0.00
	<u>8,582,580.01</u>	<u>10,056,840.03</u>

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

	€ 2,549,388.40
31st March 2009	€ 4,944,621.96

4. Liabilities to general partner

	€ 2,132.05
31st March 2009	€ 540.65

5. Other liabilities

	€ 1,046,291.33
31st March 2009	€ 874,118.87

31st March 2010	31st March 2009
€	€

Liabilities from taxes

VAT	262,509.78	0.00
Income and church tax	153,772.50	258,389.67
	<u>416,282.28</u>	<u>258,389.67</u>

Liabilities social security

	<u>8,771.25</u>	<u>13,481.50</u>
--	-----------------	------------------

Other

Commissions	502,248.65	369,357.30
Benefit EU-Project Wingy-Pro	100,628.34	0.00
Debtors on the credits side	4,311.15	10,688.62
Loan to Heinz Heckmann	0.00	178,042.17
Other	14,049.66	44,159.61
	<u>621,237.80</u>	<u>602,247.70</u>
	<u>1,046,291.33</u>	<u>874,118.87</u>

II. Profit and loss account

	1st April 2009 to 31st March 2010	1st April 2008 to 31st March 2009
	€	€
1. Sales		
Sales domestic	30,670,969.07	29,341,894.61
Sales non-domestic	20,284,061.30	26,554,087.37
	<u>50,955,030.37</u>	<u>55,895,981.98</u>
Sales reduction, cash discounts domestic	110,197.36	152,699.39
Sales reduction, cash discounts non-domestic	18,318.85	37,291.66
	<u>128,516.21</u>	<u>189,991.05</u>
	<u>50,826,514.16</u>	<u>55,705,990.93</u>
2. Changes in work in progress	- 3,095,455.00	3,571,011.00
3. Other own work capitalized	<u>270,697.00</u>	<u>379,053.00</u>
4. Other operating income		
Income relating to other periods		
Dissolution of provision for specific doubtful debt	124,310.34	40,612.90
Foreign currency gains	830.58	28,080.00
Dissolution of provisions	0.00	211,195.79
Gains from write-offs of liabilities	0.00	165,204.75
Appreciation financial assets	0.00	18,064.20
Other income related to other periods	35,907.64	116,909.70
	<u>161,048.56</u>	<u>580,067.34</u>
Other operating income		
Insurance refunds	248,394.96	486,645.15
Changes in provision for follow-up costs	156,500.00	0.00
Rental income	79,221.08	45,748.08
Other	39,322.95	25,251.18
	<u>523,438.99</u>	<u>557,644.41</u>
	<u>684,487.55</u>	<u>1,137,711.75</u>
5. Cost of materials		
a) Cost of raw materials, consumables and goods for resale		
Cash discounts received	16,115,681.30	22,302,410.61
	101,443.93	53,635.35
	<u>16,014,237.37</u>	<u>22,248,775.26</u>
b) Cost of purchased services	<u>5,315,113.67</u>	<u>10,923,555.80</u>
	<u>21,329,351.04</u>	<u>33,172,331.06</u>
6. Personnel expenses		
a) Wages and salaries		
Wages and salaries	12,316,129.07	11,248,983.83
b) Social security		
Employer's contribution to social security	2,072,114.00	1,980,180.12
Employer's Liability Insurance		
Association contribution	300,000.00	210,000.00
	<u>2,372,114.00</u>	<u>2,190,180.12</u>
	<u>14,688,243.07</u>	<u>13,439,163.95</u>
7. a) Depreciation of fixed intangible and tangible assets	<u>831,939.81</u>	<u>606,080.73</u>
7. b) Depreciation on exceptional amounts written off current assets	<u>350,000.00</u>	<u>208,821.22</u>
It concerns diminished movement rate adjustments to the stock of raw materials.		

FINANCIAL STATEMENTS

		Annex-5	
		1st April 2009 to 31st March 2010	1st April 2008 to 31st March 2009
		€	€
8. Other operating expenses			
Other periods and nonoperating expenses			
Write-off debts		124,310.34	0.00
Other expenses related to other periods		59,774.50	182,836.44
		184,084.84	182,836.44
Repairs and maintenance		473,723.67	404,875.62
Other operating expenses			
Insurance		951,726.53	841,405.38
Power and fuel		730,720.88	1,114,649.35
Travel expenses		534,143.71	657,636.60
Workman and staff welfare expenses		297,033.37	160,363.86
Leasing staff		268,582.92	1,373,092.36
Manufacturing expenses and sundries		262,428.49	242,352.74
Placement in the guarantee provision		200,000.00	225,000.00
Rent and leasing		152,248.55	240,520.04
Penalties		103,918.00	343,746.00
Royalties		74,047.50	24,117.78
Subscription to the technical associations		38,487.89	40,377.58
Maintenance of vehicles		30,224.90	25,595.50
Foreign currency losses		1,555.75	2,991.00
Placement in the provision for follow-up costs		0.00	242,500.00
		3,645,118.49	5,534,348.19
Administrative expenses			
Legal and consulting costs		714,441.00	1,227,582.25
Computing expenses		618,041.00	528,374.84
Bank charges		85,080.42	97,886.23
Auditors Remuneration		70,205.50	30,000.00
Telephone and postal charges		56,496.95	61,648.62
Printing and stationary		41,045.18	37,446.18
Donations		23,071.18	1,400.00
		1,608,381.23	1,984,338.12
Selling expenses			
Commissions		1,261,803.54	705,771.65
Selling expenses		1,077,306.94	1,496,162.18
Advertising costs		102,495.65	117,291.43
Entertainment expenses		33,312.88	19,574.23
		2,474,919.01	2,338,799.49
		8,386,227.24	10,445,197.86
9. Other interests receivables and similar income		18,164.63	100,084.30
10. Interests and similar expenses			
Interests			
for short-term liabilities		510,295.91	401,933.44
for shareholder loan		284,312.07	250,042.01
commission of bank guaranty expenses		198,908.56	215,813.57
for loan		84,377.87	170,935.08
other		0.00	36,999.17
		1,077,894.41	1,075,723.27
11. Ordinary operating results		+ 2,040,752.77	+ 1,946,532.89

	1st April 2009 to 31st March 2010	1st April 2008 to 31st March 2009
	€	€
12. Income taxes		
Trade tax actual year	0.00	0.00
Trade tax prior years	- 68,775.80	+ 77,618.57
	<u>- 68,775.80</u>	<u>+ 77,618.57</u>
13. Other taxes		
Land tax	- 61,501.28	- 51,740.03
Car tax	- 2,917.00	- 1,886.00
Other operating taxes	- 370.50	- 205.00
	<u>- 64,788.78</u>	<u>- 53,831.03</u>
14. Profit for the year	<u>+ 1,907,188.19</u>	<u>+ 1,970,320.43</u>

Basic Principles of Corporate Law

(Status 31st March 2010)

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	<p>The objective of the company is aimed at the development, production and distribution of electrical and electronic Machines and apparatuses of all kinds,</p> <p>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),</p> <p>b) Any other appropriate commercial utilisation of the company assets</p>	
Articles of Association	28. September 2006, last changes from 15. January 2009	
Commercial Register Entry	Local Court of Bremen A 22689	
Management	<p>Lloyd Beteiligungs-GmbH</p> <p>(Managing Director: Herr Berthold Groeneveld)</p>	
Financial Year	1st April – 31st March	

LLOYD BETEILIGUNGS-GmbH

BREMEN

Audit report

**Financial statement for the period 1st April 2009
to 31st March 2010**

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 2009 to 31st March 2010. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for 31st March 2010 (Exhibit 1 - 3)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of accounts auditing.

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).

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 Exhibit 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 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 2010 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 (Exhibit 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 (Exhibits 1-3) dated 31st March 2010 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 2009 to 31st March 2010. 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 [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the 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, 31st May 2010

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

signed Wingerning	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, 31st May 2010

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Wingerning	Senge
German Public Auditor	German Public Auditor

FINANCIAL STATEMENTS

Exhibit 1

Balance Sheet as at 31st March 2010

Assets

	31st March 2010	31st March 2009
	€	t€
A. Current Assets		
I. Receivables and other assets		
1. Receivable from companies in which the company has a participating interest	2,132.05	1
2. Other assets	5,42.50	1
	2,674.55	
II. Cash and equivalents	33,921.94	34
	36,596.49	36
Liabilities		
A. Equity		
I. Subscribed capital	25,000.00	25
II. Unappropriated profits brought forward	10,534.15	10
III. Profit for the period	1,062.34	0
	36,596.49	
B. Liabilities		
Trade liabilities	0.00	1
	36,596.49	36

Exhibit 2

Profit and loss account for the Period 1st April 2009 to 31st March 2010

	1st April 2009- 31st March 2010	1st September 2008- 31st March 2009
	€	€
1. Other operating income	2,194.05	1,239.34
2. Other operating expenses	931.99	1,627.73
3. Ordinary operating results	1,262.06	-388.39
4. Other interest and similar income	0.00	543.01
5. Income taxes	199.72	91.43
6. Profit for the period	1,062.34	63.19

Explanatory notes for the financial statements as at 31st March 2010

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.

Exhibit 3

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 Electric Compay 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 2009 / 2010:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Bremen, in April 2010

Exhibit 4

Explanation of the positions on the review of the financial statements for the period 1st April 2009 to 31st March 2010

I. Balance sheet

Assets

B. Current Assets

I. Receivable and other assets

1. Receivable from companies in which the company has a participating interest

	€	2,132.05
31st March 2009	€	540.65

The accounts receivable are for Lloyd Dynamowerke GmbH & Co. KG, Bremen.

2. Other assets

	€	542.50
31st March 2009	€	570.12

31st March 2010	31st March 2009
€	€
Receivable tax office corporate income tax 2009 + 2010	542.50
Receivable tax office corporate income tax 2008	0.00
VAT	0.00
	85.82
	542.50
	570.12

II. Cash and equivalents

	€	33,921.94
31st March 2009	€	34,849.88

31st March 2010	31st March 2009
€	€
Current account surplus	33,921.94
	34,849.88

FINANCIAL STATEMENTS

		Exhibit 4
		1st April 2008 to 31st March 2009
		€
Liabilities		
A. Equity		
I. Subscribed capital		€ 25,000.00
	31st March 2009	€ 25,000.00
II. Unappropriated profits brought forward		€ 10,534.15
	31st March 2009	€ 10,470.96
III. Profit for the period		€ 1,062.34
B. Creditors		
Trade liabilities		€ 0.00
	31st March 2009	€ 426.50
II. Income statement		1st April 2009- 31st March 2010
		€
1. Other operating income		
General partner fees		2,194.05
2. Other operating expenses		
Legal and consulting fees		931.99
3. Ordinary operating results		+ 1,262.06
4. Income taxes		
Corporate income tax		+ 199.72
5. Profit for the period		+ 1,062.34

**STATEMENT AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES)
RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2010.**

i) Persons employed throughout the year under review who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 24,00,000/-

Sl No.	Name	Age	Designation/Nature of Duties	Remuneration (Gross)	Remuneration (Net)	Qualifications	Experience in years	Date of joining	Particulars of last employment
1	Mr. C.L.Krishnaiah	52	Vice President	27,92,761	20,45,566	M.E.	26	08.05.1993	Wahah Electric Supply Company of Saudi Arabia Ltd. ,Damam
2	Mr. E.P. Ramachandran	54	Vice President	31,40,393	17,06,903	BE	30	01.08.1980	-
3	Mr. R.K. Gupta	55	Vice President	27,19,312	18,49,401	FCA, FCS, FICWA	29	11.09.2000	Gartels Werke Ltd.

ii) Persons employed for a part of the financial year under review who were in receipt of remuneration for any part of the financial year, at a rate which, in aggregate, was not less than Rs. 2,00,000/- per month - NIL

Notes:

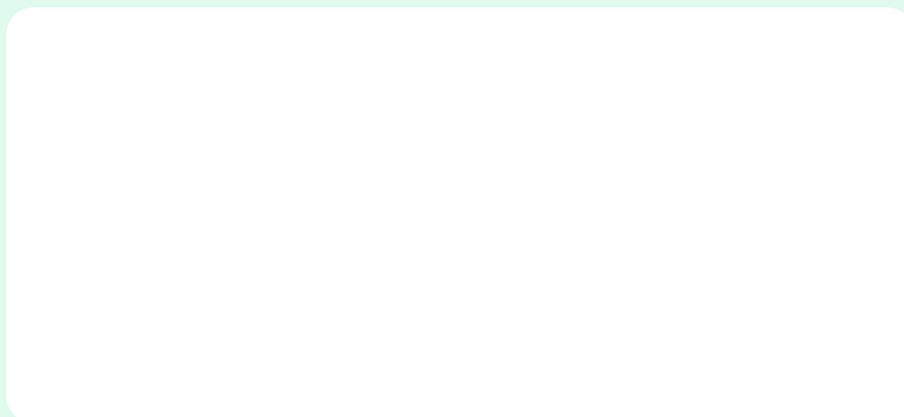
- Gross Remuneration includes salary, leave travel assistance, encashment of leave, if any, house rent allowances/ house rent paid, Company's contribution to Provident Fund and Superannuation Fund for the period and value of perquisites wherever applicable.
- Net Remuneration is after Income Tax and Professional Tax deducted at source.
- Nature of employment is contractual. Other terms and conditions are as per the Rules and Regulations of the Company.
- None of the employees is a relative of any director of the Company.

Place : Bangalore
Date : July 10, 2010

For and on behalf of the Board of Directors

Vijay R Kirloskar
Chairman

BOOK-POST



If undelivered please return to:
KIRLOSKAR ELECTRIC COMPANY LTD.
P. B. NO. 5555, Malleswaram West, Bangalore - 560 055.