

KIRLOSKAR ELECTRIC COMPANY LTD.

BOARD OF DIRECTORS

Vijay R. Kirloskar
Chairman & Managing Director

Agarwal S.N.

Anil Kumar Bhandari

Sarosh J Ghandy

Mythili Balasubramanian
IDBI Nominee

Ramesh D Damle
LIC Nominee

Malik P.S.
Dy. Managing Director

Venkatesha Murthy D.R.
Director –Sales & Marketing

COMPANY SECRETARY

P.Y.Mahajan

AUDITORS

B.K.Ramadhyani & Co.
Bangalore

BANKERS

Bank of Baroda
Bank of India
State Bank of India
State Bank of Mysore
State Bank of Travancore
Standard Chartered Bank
The Hongkong & Shanghai Banking Corporation Ltd.
Bank of Commerce, Kuala Lumpur(Malaysia)

REGISTERED OFFICE

Industrial Suburb, Rajajinagar
Bangalore – 560 010

FACTORIES

Belvadi Industrial Area, Mysore
Gokul Road, Hubli
Hirehalli, Tumkur

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NOTICE

Notice is hereby given that the FIFTY EIGHTH ANNUAL GENERAL MEETING of the Members of KIRLOSKAR ELECTRIC COMPANY LIMITED will be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore - 560 003 on Thursday, the 29th September, 2005 at 10.00 A.M. to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended 31st March, 2005 together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Anil Kumar Bhandari, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
3. To appoint a Director in place of Mr. S.N.Agarwal, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
4. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
"RESOLVED THAT M/s. B. K. Ramadhyani & Co., Chartered Accountants, Bangalore, the retiring Auditors be and are hereby appointed as Auditors of the Company pursuant to Section 224 A of the Companies Act, 1956, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration".
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
"RESOLVED THAT M/s. Chari & Co., Chartered Accountants, Kuala Lumpur, the retiring Auditors be and are hereby appointed as Auditors of the Company's Sales Office at Kuala Lumpur, Malaysia, pursuant to Section 228 read with Section 224 A of the Companies Act, 1956, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration".

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and Schedule XIII thereto and subject to such other approvals as may be required, consent of the Company be and is hereby accorded to the re-appointment of Mr. D.R.Venkatesha Murthy as a whole-time Director of the Company for a period of 1 (one) year with effect from 10th October, 2005 upon the remuneration and terms and conditions as set out in the agreement to be entered into between the Company and Mr. Venkatesha Murthy, a draft whereof, initialed by the Chairman for the purpose of identification, is placed before this meeting and which agreement is hereby specifically approved with liberty to the Board of Directors to vary and alter the terms and conditions contained in the agreement, provided, however, that the remuneration and perquisites payable to Mr. Venkatesha Murthy shall not exceed the limits specified in Schedule XIII to the Act."
"RESOLVED FURTHER THAT pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals as may be necessary, the minimum remuneration as set out in the Explanatory Statement be paid to Mr. D.R.Venkatesha Murthy, in the event of loss or inadequacy of profit in any financial year during the term of his office".
7. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereto and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Mr. Vijay R Kirloskar as Managing Director of the Company for a further period of 5 (Five) years with effect from 17th August, 2005 upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Vijay R Kirloskar, a draft whereof, initialed by the Chairman for the purpose of identification, is placed before this meeting and which agreement is hereby specifically approved with liberty to the Board of Directors to vary and alter the terms and conditions contained in the agreement, provided, however, that

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the remuneration and perquisites payable to Mr. Vijay R Kirloskar shall not exceed the limits specified in Schedule XIII to the Act.”

“RESOLVED FURTHER THAT pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals as may be necessary, the minimum remuneration as set out in the Explanatory Statement be paid to Mr. Vijay R Kirloskar, in the event of loss or inadequacy of profit in any financial year during the term of his office”.

8. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded for the appointment of Ms. Janaki Kirloskar, daughter of Mr. Vijay R Kirloskar, Chairman & Managing Director of the Company as Senior Manager of the Company with effect from 16th July, 2005 on a remuneration of Rs. 56,185/- per month apart from other usual annual benefits, amenities and facilities including contribution to staff superannuation fund, retiring gratuity and provident fund benefits as applicable to other officers in that grade for the salary paid to her with powers to the Board for increasing the remuneration by not more than 20% of immediately preceding remuneration (Cost to the Company) annually, as set out in the Explanatory Statement.”

By Order of the Board of Directors
for **KIRLOSKAR ELECTRIC COMPANY LIMITED**

Bangalore
Date : 1st September, 2005

P.Y. MAHAJAN
Company Secretary

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is annexed hereto.
- (c) Documents relating to any of the items mentioned in the Notice and the Explanatory Statement thereto are open for inspection at the Registered Office of the Company on any working day during business hours.
- (d) Members requiring information on the accounts are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
- (e) Members holding shares either singly or jointly in identical order in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one folio.
- (f) Members are requested to notify immediately of any change in their address to the Company. Members holding shares in the electronic form are advised to notify any change in their address to the concerned depository participants.
- (g) Pursuant to Section 205 A of the Companies Act, 1956, unpaid dividend for the financial years upto 31.3.1997 has been transferred to the Investor Education and Protection Fund.
- (h) Members desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109 A of the Companies Act, 1956, are requested to submit the prescribed Form 2B duly completed to the Secretarial Department of the Company.
- (i) Information about Directors proposed to be re-appointed/appointed:-
 - 1) Mr. Anil Kumar Bhandari, an Economics Graduate, who is 61 years of age, is a former Vice Chairman and presently a member of Coffee Board. He is also Chairman of Coffee Committee of United Planters Association of Southern India and Chairman of Karnataka Planters Association. He is a Director of the following companies:

Coffee Products India Ltd.
The Waterbase Limited
India City Properties Limited

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- 2) Mr. S.N.Agarwal, an Engineering Graduate, who is 60 years of age, is the Chairman of the Boruka Group of Companies. He is a Director of the following Companies:
- Bhoruka Gases Limited
 - Transport Corporation of India Ltd.
 - TCI Industries Limited
 - Bhoruka Power Corporation Ltd.
 - Daurala Organics Limited
 - Iruppu Power Private Ltd.
- 3) Mr. D.R.Venkatesha Murthy, LEE (Electrical Engineering), who is 63 years of age, has been with the Company since 1964 and has held various positions in manufacturing units and sales offices. He was in charge of the entire Marketing Department at the time of his appointment on the Board. He is the whole-time Director heading the Marketing Department. He is a Director in Best Trading & Agencies Limited, Kirloskar (Malaysia) SDN. BHD. and an Alternate Director in Kirloskar Power Build Gears Limited.
- 4) Mr. Vijay R Kirloskar is an MS in Management Science and Engineering from Worcester Polytechnic Institute, Worcester, MA, USA. He joined the services of the Company in 1978 as Manager-Production. Later on in 1982 he was appointed as President. He was appointed as Managing Director of the Company w.e.f. 17th August, 1985 and has been holding that position since then. He was the Chairman of the Kirloskar Group during the period 1994 to 1998. The Group and the Company showed considerable growth under his stewardship. He has held various important positions in the industry. He was the Vice President of CII for the year 1998. His education and experience make him eminently suitable for the post. He has ably steered the Company in turmoils and has managed to ensure Company's survival. He is responsible for reducing the losses and successful implementation of the Scheme of Arrangement sanctioned by the Hon'ble High Court. He will be in-charge of the day to day operations and management of the Company under the supervision and guidance of the Board of Directors. It is proposed to re-appoint him for a further period of five years w.e.f. 17.8.2005. The remuneration proposed is keeping in mind the responsibilities placed on Mr. Kirloskar and his contribution, experience and education. The remuneration has been approved by the Remuneration Committee and the Board of Directors of the Company. Mr. Kirloskar is also a wholetime Director of Kaytee Switchgear Limited, a subsidiary of the Company to which some of the units earlier belonging to the Company have been demerged, under the Scheme of Arrangement sanctioned by the Hon'ble High Court of Karnataka. However, he does not draw any remuneration from Kaytee Switchgear Limited. Mr. Kirloskar is a Director of the following Companies:
- | | |
|--|-------------------------------------|
| Kaytee Switchgear Ltd. | Kirloskar (Malaysia) SDN. BHD |
| Kirloskar Power Equipments Ltd. | Kirloskar Power Build Gears Limited |
| Kirloskar Batteries Pvt. Ltd. | Best Trading & Agencies Limited |
| Kirloskar Computer Services Ltd. | KCS Trading Company Ltd. |
| KE ASIROBICON Industrial Systems Pvt. Ltd. | Batliboi Ltd. |
| KEC North America Inc, USA | MRF Limited |
| Kirloskar Software Services, USA | |
- 5) The share transfer books and Register of Members of the Company will remain closed from 27th September, 2005 to 29th September, 2005 (both days inclusive).

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ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the Special Business and the items 4 and 5 of the notice mentioned in the accompanying notice of the Annual General Meeting of the Company.

1. Item No. 4 and 5 of the Notice

In terms of Section 224A of the Companies Act, 1956, in a company in which not less than 25% of the subscribed share capital is held, either singly or in any combination, by a public Financial Institution or Government Company or Central Government or a State Government or a Nationalised Bank or an Insurance Company carrying on general insurance business, the appointment or re-appointment of an auditor is required to be made by a Special Resolution. As the shareholding of the above category of shareholders is not less than 25% of the subscribed capital in your company, special resolutions are proposed for re-appointment of the auditors.

None of the Directors of the Company is in any way concerned or interested in the proposed re-appointments.

The Board recommends the Resolutions for approval by the members.

2. Item No .6 of the Notice

The Board of Directors of the Company at its meeting held on 31.5.2005 has, subject to approval of Members, re-appointed Mr. D.R.Venkatesha Murthy, as a whole-time Director, designated as Director (Sales & Marketing) for a period of one year w.e.f. 10.10.2005. The terms of remuneration and appointment of Mr.D.R.Venkatesha Murthy, as approved by the Board of Directors as mentioned in the Agreement referred to in the Resolution as set out at Item No. 6 are as under :

- I. Salary : Rs. 80,000 per month.
House Rent Allowance : Rs. 19,000 per month

Reimbursement of medical expenses incurred for self and family, upto a sum not exceeding Rs.15,000/- per annum.
Reimbursement of Leave Travel Expenses incurred for self and family, once in a year, subject to a limit of one month's salary.

Personal Accident Insurance: A suitable Personal Accident Insurance coverage shall be taken by the Company as per Company's policy.

One month's privilege leave on full pay for every eleven months' of service. Leave may be accumulated and encashed as per the Rules of the Company.

The Company's contribution to Provident Fund at 12% of the salary and to Superannuation Fund at 15% of the salary. Gratuity payable at a rate of half a month's salary for every year of service;

Free use of Company's car for Company's work.

Telephone, telefax and other communication facilities shall be provided at the residence for Company's work.

Reimbursement of premium paid on Medi-claim policy for self and family, up to a sum not exceeding Rs.10,000 per annum.

The aggregate of the salary and perquisites payable to Mr. Venkatesha Murthy shall not exceed 5% of the net profits of the Company subject however to the condition that the aggregate of remuneration payable to all the whole time directors together shall not exceed 10% of the net profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act.

II. Minimum Remuneration

Where in any financial year during the currency of tenure of his appointment, the Company has no profits or its profits are inadequate, the remuneration as aforesaid shall be payable to Mr. Murthy as minimum remuneration subject to the condition that it shall not exceed the limits prescribed in Section II of Part II of Schedule XIII to the Act as applicable from time to time.

The following perquisites shall not be included in the computation of the ceiling on remuneration for purposes of Section II of Part II of Schedule XIII to the Act:

Contribution to Provident Fund and Superannuation Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961;

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and

Encashment of leave at the end of the tenure.

The proposed remuneration is within the limits laid down under Schedule XIII of the Companies Act.

Except Mr. D.R.Venkatesha Murthy, who is interested in the Resolution, as the same relates to his appointment and remuneration, none of the other Directors is in any way concerned or interested in the said Resolution.

Information as required under Part II para (B)(iv) (II) and (IV) of Schedule XIII

Mr.D.R.Venkatesha Murthy after completing LEE (Electrical Engineering) joined the services of the Company in 1964 and he has held various positions in Units and Branches. He was holding the position of Senior General Manager at the time of his appointment as Director (Sales & Marketing) in October, 2001. He is heading the Marketing Department at corporate level and holds that position since then. His technical expertise and varied experience in different functions will immensely benefit the Company. Mr. Venkatesha Murthy has been paid remuneration as per the provisions

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of the Companies Act. The remuneration proposed is in line with the industry norms and keeping in mind the responsibilities placed on Mr. Murthy and his education, contribution and experience. Mr. Murthy does not have any pecuniary relationship with the Company except that of getting the managerial remuneration due to him. He is not related to any managerial personnel. The remuneration has been approved by the Remuneration Committee and the Board of Directors of the Company.

The remuneration being paid presently to Mr. Murthy as already approved by the Board and the shareholders is as follows :-

Salary : Rs. 54,000 per month.

House Rent Allowance : Rs. 15,000 per month

Reimbursement of medical expenses incurred for self and family, up to a sum not exceeding Rs.15,000/- per annum.

Reimbursement of Leave Travel Expenses incurred for self and family, once in a year, as per the Rules applicable to his cadre subject to a limit of one month's salary.

Personal Accident Insurance: A suitable Personal Accident Insurance coverage shall be taken by the Company as per Company's policy as applicable to his cadre.

One month's privilege leave on full pay for every eleven months' of service. Leave may be accumulated and encashed as per the Rules of the Company.

Free use of Company's car for Company's work.

Telephone, telefax and other communication facilities shall be provided at the residence for Company's work.

Reimbursement of premium paid on Medi-claim policy for self and family, upto a sum not exceeding Rs.10,000 per annum.

The aggregate of the salary and perquisites payable to Mr. Venkatesha Murthy shall not exceed 5% of the net profits of the Company subject however to the condition that the aggregate of remuneration payable to all the whole time directors together shall not exceed 10% of the net profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Act. However, where in any financial year during the currency of tenure of his appointment, the Company has no profits or its profits are inadequate, the remuneration as aforesaid shall be paid as minimum remuneration subject to the conditions as prescribed in Section II of Part II of Schedule XIII to the Act.

The following perquisites shall not be included in the computation of the ceiling on remuneration for purposes of Section II of Schedule XIII to the Act:

Contribution to Provident Fund and Superannuation Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961;

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and

Encashment of leave at the end of the tenure.

The general Information as required under Para (B) (iv) (I) and (III) of Schedule XIII is given at Item 4 below.

The Board of Directors recommends the resolution for your approval.

This should be considered as a relevant abstract, as required under section 302 of the Companies Act, 1956.

3. Item No .7 of the Notice

Mr. Vijay R Kirloskar was last re-appointed as the Managing Director of your Company for a period of 5 (five) years from 17.8.2000, at the 53rd Annual General Meeting of the Company held on 29th November, 1999. His term of office as Managing Director came to end on 16.8.2005 by efflux of time.

The Board of Directors of the Company at their Meeting held on 31.5.2005 have approved the re-appointment of Mr. Vijay R Kirloskar as Managing Director of the Company for a further period of five years with effect from 17.8.2005 and payment of remuneration to him as approved by the Remuneration Committee .

While approving the remuneration to be paid to Mr. Kirloskar, the Directors have taken into account Mr. Kirloskar's qualification, experience, contribution, financial position and ability of the Company, the remuneration being presently paid, what a similar industry would pay at the present level of performance of the Company and the current and expected performance of the Company.

The terms of remuneration payable to Mr. Vijay R Kirloskar, approved by the Board of Directors at its meeting held on 31.5.2005 as mentioned in the Agreement referred to in the Resolution as set out at Item No.7 are as under:-

I. SALARY

Salary of Rs. 6.5 lakhs (Rupees six lakhs and fifty thousand only) per month with power to the Board of Directors to revise and fix the salary from time to time, upto a sum not exceeding Rs. 10 lakhs (Rupees ten lakhs only) per month.

COMMISSION

Commission as may be determined by the Board of Directors from year to year.

PERQUISITES

In addition to salary and commission, Mr. Vijay R Kirloskar shall be entitled to the following perquisites:

a. Residential Accommodation :

Fully furnished residential accommodation. If no accommodation is provided by the Company, a suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

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- b. Medical Reimbursement :
Reimbursement of medical expenses incurred for self and family.
- c. Leave Travel Concession :
Reimbursement of Leave Travel Expenses incurred for self and family, once in a year, subject to a limit of one month's salary.
- d. Club Fees :
Fees of Clubs including admission and life membership fee subject to a maximum of two Clubs.
- e. Personal Accident Insurance :
A suitable Personal Accident Insurance coverage shall be taken by the Company at a premium not exceeding Rs.25,000/- (Rupees twenty five thousand only) per annum.
- f. Leave : Privilege leave and other leaves as applicable to other Executives of the Company. Leave may be accumulated and encashed as per the rules of the Company.
- g. Car : Free use of Company's car with driver for Company's work.
- h. Telephone, Tele-fax and other communication facilities :
Telephone, tele-fax and other communication facilities shall be provided at the residence for Company's work.
- i. Medi-claim Policy :
Reimbursement of medi-claim policy premium for self and family upto a sum which is admissible under the Income Tax Act for the purpose of exemption from time to time or Rs.10,000/- per annum whichever is higher.
- j. Provident Fund etc.
The Company's contribution to Provident Fund at 12% of the salary and to Superannuation Fund at 15% of the salary.
- k. Gratuity :Gratuity at a rate not exceeding one month's salary for each completed year of service or part thereof in excess of six months.

Explanation :

1. Wherever the context demands, 'family' means the spouse, dependant children and parents.
2. Perquisites shall be evaluated as per Income Tax Act and Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost.

The aggregate of the salary, commission and perquisites payable to Mr. Vijay R Kirloskar as aforesaid, shall not exceed 5% of the net profits of the Company subject however to the condition that the aggregate of the remuneration payable to all the whole-time Directors together shall not exceed 10% of the net profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act.

II MINIMUM REMUNERATION

Where in any financial year during the currency of his tenure of the appointment, the Company has no profits or its profits are inadequate, a remuneration of Rs. 6 lakhs (Rupees six lakhs only) per month inclusive of all allowances and perquisites shall be payable to Mr. Kirloskar as minimum remuneration.

The following perquisites, however, shall not be included in the computation of the ceiling on remuneration for purposes as stated above.

Contribution to Provident Fund at 12% of the salary and to Superannuation Fund at 15% of the salary;
Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and Encashment of leave at the end of tenure.

As the remuneration proposed above is in excess of the limits prescribed under Schedule XIII to the Companies Act, an application seeking its approval has been made to Central Government.

Except Mr. Vijay R Kirloskar, who is interested individually in the Resolution, as the same relates to his appointment and remuneration, none of the other Directors is in any way concerned or interested in the said Resolution.

Information as required under Part II para (B)(iv) (II) and (IV) of Schedule XIII

Mr. Vijay R Kirloskar after his schooling at Bishop Cottons, Bangalore, completed his under graduate studies at Worcester Polytechnic Institute, Worcester, MA, USA and later obtained his master's degree in Management Science and Engineering from the same college. He has attended a quality course at JUSE in Japan. He joined the services of the Company in 1978 as Manager-Production. Later on in 1982 he was appointed as President. He was appointed as Managing Director of the Company w.e.f. 17th August, 1985 and has been holding that position since then. He was appointed as Vice Chairman on 25.10.1986 and became the Chairman of the Company from 29.6.1994. He was the Chairman of the Kirloskar Group during the period 1994 to 1998. The Group and the Company showed considerable growth under his stewardship. He has held various important positions in the industry. He was the Vice President of CII for the year 1998. His education and experience make him eminently suitable for the post. He will be in-charge of the day to day operations and management of the Company under the supervision and guidance of the Board of Directors.

It is proposed to re-appoint him for a further period of five years w.e.f. 17.8.2005. The remuneration proposed is keeping in view the responsibilities placed on Mr. Kirloskar and his contribution, experience and education. The Company does not have any pecuniary relationship in transactions with the Director except payment of managerial

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remuneration. He is not related to any managerial personnel. The remuneration has been approved by the Remuneration Committee and the Board of Directors of the Company.

The remuneration being presently paid to Mr. Kirloskar as earlier approved by the Board and the shareholders is as follows : -

I SALARY

Salary of Rs. 4,00,000/- (Rupees four lakhs only) per month with powers to the Board of Directors to revise and fix the salary from time to time, upto a sum not exceeding Rs. 5,00,000 lakhs (Rupees five lakhs only) per month.

COMMISSION

Commission as may be determined by the Board of Directors from year to year.

PERQUISITES

In addition to salary and commission, Mr. Vijay R Kirloskar shall be entitled to the following perquisites :

- a. Fully furnished residential accommodation:
Fully furnished residential accommodation. If no accommodation is provided by the Company, a suitable House Rent Allowance will be paid for a fully furnished residential accommodation as the Board of Directors may determine. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.
- b. Medical Reimbursement :
Reimbursement of medical expenses incurred for self and family.
- c. Leave Travel Concession :
Reimbursement of Leave Travel Expenses incurred for self and family, once in a year, as per the rules applicable to his cadre, subject to a limit of one month's salary.
- d. Club Fees :
Fees of Clubs including admission and life membership fee subject to a maximum of two Clubs.
- e. Personal Accident Insurance :
A suitable Personal Accident Insurance coverage shall be taken by the Company at a premium not exceeding Rs.25,000/- (Rupees twenty five thousand only) per annum.
- f. Leave :
Privilege leave and other leaves as applicable to other Executives of the Company. Leave may be accumulated and encashed as per the rules of the Company.
- g. Car : Free use of Company's car with driver for Company's work.
- h. Telephone, Tele-fax and other communication facilities :
Telephone, tele-fax and other communication facilities shall be provided at the residence for Company's work.
- i. Medi-claim Policy :
Reimbursement of medi-claim policy premium for self and family upto a sum which is admissible under the Income Tax Act for the purposes of exemption from time to time or Rs.10,000/- per annum, whichever is higher.
- j. Provident Fund etc.
The Company's contribution to Provident Fund and Super Annuation Fund or Annuity Fund shall be as per the prevailing Rules of the Company.
- k. Gratuity
Gratuity at a rate not exceeding one month's salary for each completed year of service or part thereof in excess of six months.
- l. Children's Education Allowance :
Education allowance of Rs.2000 per month per child.

Explanation :

1. Wherever the context demands, 'family' means the spouse, dependant children and parents.
2. Perquisites shall be evaluated as per Income Tax Act and Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost.
The aggregate of the salary and perquisites payable to Mr. Vijay R Kirloskar, shall not exceed 5% of the net profits of the Company, subject however to the condition that the aggregate of the remuneration payable to all the whole time Directors together shall not exceed 10% of the net profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Act.

In view of losses Mr. Kirloskar has been paid only the minimum remuneration.

II MINIMUM REMUNERATION

However, in view of the loss or inadequacy of profits, Mr. Kirloskar is being paid salary of Rs.2,50,000/- per month as minimum remuneration in terms of Section II of Part II of Schedule XIII to the Act.

The following perquisites are not to be included in the computation of the ceiling on remuneration for purposes of Section II of Part II of Schedule XIII to the Act:

Contribution to Provident Fund and Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

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Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and Encashment of leave at the end of the tenure.

The general Information under Para (B) (iv) (I) and (III) of Schedule XIII is given at Item 4 below.

The Board of Directors recommends the resolution for your approval.

This should be considered as a relevant abstract, as required under section 302 of the Companies Act, 1956.

4. Information as required under Para (B) (iv) (I) and III of Schedule XIII –Common to Item No. 6 and 7.

Your Company is engaged in the manufacturing and sale of Electrical machines which has various groups such as Rotating Machines Group, Static Equipment Group, Switchgear Group, Cable Group, Transformers Group, Capacitors Group, Transmission Line Group etc., Each product group is having different products within its broad range.

Your Company has been in operation for over five decades now and was performing well till about 1998. Thereafter, its performance was adversely affected on account of various factors like industrial recession in user industries resulting in poor offtake, unremunerative prices, high interest burden, lack of working capital etc. The sales declined due to working capital paucity. Intense competition squeezed margins. All these factors pushed the Company into losses.

Your Company has investments in the following companies abroad :

Kirloskar (Malaysia) SDN.BHD.	Rs.5.28 lakhs for 1,50,000 shares
Kirloskar Kenya Ltd.	Rs. 8.52 lakhs for 1272 shares
Kirsons Trading Pte Ltd.	Rs. 11.20 lakhs for 56,250 shares
KEC North America Inc. USA	Rs. 129.36 lakhs for 210 Common Stock

The investments made in Companies other than KEC North America Inc. USA have fetched returns. The investment in KEC North America Inc. has not been remunerative on account of the losses suffered but the Company considers that the losses have occurred because that company is still in developmental stage. The Company is taking steps for improved performance by that company

The Company has achieved a profit of Rs. 8.82 million for the year 1.4.2004 to 31.3.2005 on a turnover of Rs. 3120.43 million. The loss for the year 1.4.2003 to 31.3.2004 was placed at Rs.42.39 million. The Company's exports for the year 1.4.2004 to 31.3.2005 were at Rs.98.04 million. The exports during 1.4.2003 to 31.3.2004 were at Rs. 33.80 million. The Scheme of Arrangement framed by the Company u/s 391-394 of the Companies Act and sanctioned by the High Court is under implementation.

The Company has also taken other measures for improving its performance by cutting costs at all levels, reduction in manpower, product development, improved working capital management, etc. and the performance is getting improved.

5. Item No .8 of the Notice

Under section 314 of the Companies Act, 1956, a special resolution is required if any relative of a Director of the Company is to hold any office or place of profit under the Company drawing remuneration beyond the stated limit. The appointment of Ms.Janaki Kirloskar made by the Board of Directors as Manager last year was approved by the members at the last AGM held on 29.9.2004 and she has completed one year of service on 15.7.2005. The Company has raised upward the remuneration package of its staff and managerial personnel w.e.f. 1.4.2005. The Board of Directors at their meeting held on 31st May, 2005 have proposed to revise on similar lines the remuneration payable to Ms. Janaki Kirloskar in the manner following :-

Monthly Remuneration *

Salary	Rs.17, 600/-
HRA	Rs. 7, 200/-
Conveyance Allowance	Rs. 4, 000/-
Education Allowance	Rs. 200/-
Variable Pay	Rs.27,185/-
	<u>Rs.56,185/-</u>

* with a provisio to increase CTC/the salary/variable pay upto 20%, annually over the immediate previous CTC w.e.f. 16th July 2006, keeping in view her contribution to company and its growth and the additional responsibility entrusted to her.

Annual Benefits

Leave Travel Allowance	Rs. 20,000/-
Mediclaime Policy	Rs. 6,000/-
Medical reimbursement	Rs.15,000/-
Professional Membership Fee – reimbursement	Rs. 1,000/-
Furniture & Fixture	Rs.15,000/-

The contribution to provident fund, gratuity and superannuation scheme as per the rules of the Company for the salary proposed at the present level will amount to Rs.5,597/- p.m.

Except Mr. Vijay R Kirloskar who has no pecuniary interest, none of the other Directors is in any way concerned or interested in the said Resolution.

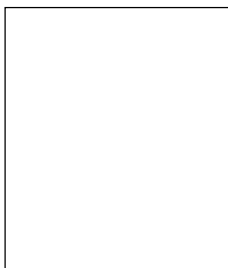
The Board of Directors recommends the Resolution for approval by the members.

By Order of the Board of Directors
for **KIRLOSKAR ELECTRIC COMPANY LIMITED**

Bangalore
Date : 1st September, 2005

P.Y. MAHAJAN
Company Secretary

FROM THE CHAIRMAN AND MANAGING DIRECTOR



Dear Shareholders,

59 years is always a momentous milestone since according to the Indian tradition, the 60th birthday is always a special occasion!

In 2004-2005, Kirloskar Electric Company (KEC) delivered a record performance across several operational and financial markets. The turnover has gone up around 50% and the company has shown a profit of about Rs. 90 lakhs as against a loss of about Rs. 4.23 crores in the previous year. Strategic business plans, best management practices, application of world-class production systems, and fundamentally, the loyal service and

dedicated hard work of all our employees have allowed KEC, to once again taste success.

Reflecting on the year that has gone by, the operating environment at Kirloskar Electric was driven by global competitiveness. The company took several strategic initiatives to satisfy its customers. The Switchgear division in Mysore increased its production three-fold to meet the rising customer demand. Using the latest technological innovations, Kirloskar Electric introduced a new line of UPS and Invertors that was well accepted in the market place. The company continued to keep its clientele informed about its operations through the quarterly communication, "Watts Up".

The outlook for the coming year is very positive. Two new state-of-the-art production divisions were born. The transformer division at Mysore was inaugurated in January 2005 by our senior-most director, Mr. A S Lakshmanan and has been named the "A S Lakshmanan Centre for Excellence - Transformers". The Rotating Machines Division at Govenahalli was inaugurated in June 2005 and houses first-rate machinery and world-class production systems. Production activities are on track and with the increased production capacities Kirloskar Electric will be able to cater to the demand upsurge, both – nationally and internationally.

Looking ahead, with the revival of the Indian economy, industrial activity is in full swing and the demand for power is on the rise. We aim to leverage our five-plus decades of experience to satisfy our customers in sectors such as power, steel, water supply, cement, textile and others. With the global thrust on rural and urban infrastructure development, Kirloskar Electric is set to make a significant contribution towards the international economic progression.

Change is a way of life and any organization has to change in order to survive and grow. Kirloskar Electric has experienced several changes in the past few years, and this has increased our resilience to adapt to the global economic forces. Operating on a global scale, an expanded product range, lower operating costs and new investments will enable Kirloskar Electric to maintain itself as a preferred provider of electrical solutions globally. Our proprietary technologies along with world-class manufacturing plants underline the potential to create more value in the years ahead.

In conclusion, I have enjoyed resolute support from all the investors of Kirloskar Electric. I would like to take this opportunity to express my gratitude to the Board, Financial Institutions, Customers, well wishers, and shareholders for their enduring confidence. As we embark on a new journey, we reinforce our commitment to deliver long-term and sustainable value to our shareholders.

Yours truly

VIJAY R. KIRLOSKAR

Chairman & Managing Director

KIRLOSKAR ELECTRIC COMPANY LTD.

DIRECTORS' REPORT

TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2005

To
The Shareholders

Your Directors present the Company's 58th Annual Report with the Audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended 31st March, 2005.

Working Results

	Rs. in million	
	For the year ended 31.3.2005	For the year ended 31.3.2004
Gross Profit /(Loss) amounting to	17.38	(33.72)
Less / (Add) : Provisions towards		
Depreciation	8.10	(9.26)
Taxation (Net)	0.46	0.59
	8.56	(8.67)
Profit / (Loss) for the year	<u>8.82</u>	<u>(42.39)</u>

Operations

During the year under report, your Company has achieved a turnover of Rs.3.20 billion (previous year Rs. 2.16 billion). The operations have resulted in a net profit of Rs. 8.82 million (previous year – Loss Rs. 42.39 million).

Outlook

The growth momentum seen last with the revival of demand on account of increased activities in the user industries continues. The Company continues to have a healthy order book position and barring unforeseen circumstances, outlook appears to be bright.

Kaytee Switchgear Limited

Kaytee Switchgear Limited, your subsidiary has achieved a turnover of Rs.2058.14 million as against Rs. 1431.42 million in the previous year, showing a growth of about 44%. It has been able to restrict its loss to Rs.54.647 million during the year as against Rs.307.037 million in the previous year. The loss incurred has been mainly on account of dislocation of manufacturing operations due to shifting of the Malleswaram Unit to the new location. The new factory at Govenahalli near Thyamagondalu has started operations partially from July 2005 and it should be fully operational in a couple of months. The subsidiary is expected to fare better in the current year on account of strong order book position.

Dividend

In view of carried over losses your Directors regret their inability to recommend any dividend for the year under report.

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.

Subsidiaries

Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary company Kaytee Switchgear Limited for the year ended 31st March, 2005 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. The annual accounts of KEC North America Inc. USA are also likewise enclosed.

Particulars of Employees

During the year under report there were no employees drawing remuneration in excess of the limits specified under section 217(2A) of the Companies Act, 1956.

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. A report on Corporate Governance and
3. Auditors Certificate regarding compliance of conditions of Corporate Governance

FIFTYEIGHTH ANNUAL REPORT 2004-2005

These annexures form part of this report.

Directors

Mr. Anil Kumar Bhandari and Mr.S.N.Agarwal retire by rotation and being eligible offer themselves for re-appointment. During the current year 2005-06, Mr.K.Kasturi Rangan, nominee of Life Insurance Corporation of India (LIC) resigned from the Board of the Company and in his place Mr.Ramesh Dattatraya Damle has been nominated by LIC. Your Directors place on record their appreciation for the guidance, support and valuable contribution of Mr.K.Kasturi Rangan during his tenure as a Director of the Company and welcome Mr.Damle on the Board and look forward to his mature and seasoned advice .

Directors' Responsibility Statement

Pursuant to the Section 217 (2A) 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, 2005 and of the Profit and Loss Account for the year ended 31st March, 2005.
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.

Trademark/logo "Kirloskar"

As informed last year the Company had filed a petition under sections 397-398 of the Companies Act, 1956 before the Principal Bench, Company Law Board, New Delhi (CLB) against M/s. Kirloskar Proprietary Limited, Pune and others against, inter alia, their action of terminating the permitted user agreement with the Company and asking the Company to stop using the trademark/logo "Kirloskar". The CLB has allowed Company's Petition and has directed that the permitted user rights of the Company shall be in perpetuity and for deletion of the termination clause in the user agreement. The order of the CLB has been appealed against by Kirloskar Proprietary Limited and Others in the High Court, Bombay.

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 explanation in regard to the reservation/qualification in the Auditors Report are furnished below :

Para 5 of the Auditors' Report and Para 8 of Annexure thereto.

The Transformers Division was shifted during the year from Bangalore to Mysore. During the process some computer hard disc got damaged. Most of the data have already been rebuilt thereafter. The balance data will be rebuilt during the year.

Para 8 of the Auditors' Report and Para 2(d) of Annexure thereto.

The Method of valuation of the inventory adopted by the Company has been consistent over several years. The Company had several units, a few of which have been transferred to Kaytee Switchgear Limited (KSL) pursuant to the Scheme of Arrangement. While AS 2 (Valuation of Inventories) could be implemented in most of the units which stand transferred to KSL, in one unit, which continues with KEC, it could not be fully implemented. It however has no impact on the accounts. Action has been initiated to implement AS 2 in that unit also.

Prior period income/expenditure, as compared to the volume of the business of the Company, is insignificant and has no impact on the accounts. Action has been taken to implement AS 5 (Prior Period Items) which will be implemented soon, irrespective of the value of the prior period income/expenditure.

Para 10 of the Auditors' Report

- a) Majority of the Banks and Financial Institutions have completed the bifurcation of accounts. However, due to some procedural formalities at certain Banks/Institutions the bifurcation has not been given effect to by them still which is expected to be given effect to shortly. The Company has, however, given effect to the Scheme as sanctioned by the Hon'ble High Court.

KIRLOSKAR ELECTRIC COMPANY LTD.

- b) The Company has been accounting for interest payment made to Small Scale and Ancillary Industrial Undertakings as and when their accounts are settled. Necessary provision to the extent required has been made in the outstanding liability.
- c) Review and obtaining balance confirmation from creditors and debtors is a continuous process. In case of discrepancy pointed out while communicating confirmation of balance, the accounts are reconciled and necessary accounting entries are passed. Necessary provisions for doubtful debts/advances has been made to the extent ascertained.
- d) As mentioned in Notes 21 and 22, the Company is confident of realising the acquisition cost of investments and amounts due from certain companies referred to therein.
- e) Due to tight liquidity position the Company could not install /pay duty for certain capital equipments. As explained in the Note to Accounts the Company is hopeful of putting the assets to use and has taken necessary actions for the purpose.

Para 1b of Annexure to the Auditors' Report

The reconciliation is in progress and is expected to be completed shortly. Action as may be necessary will be initiated thereafter.

Para 2 a of Annexure to the Auditors' Report

We have asked for confirmation and action as may be necessary will be initiated thereafter.

Para 2 c of Annexure to the Auditors' Report

The Transformers Division was shifted during the year from Bangalore to Mysore. During the process some computer hard disc got damaged. Most of the data have already been rebuilt thereafter. The balance data will be rebuilt during the year.

Para 4 of Annexure to the Auditors' Report

As the Transformers Division has been shifted, the problem has arisen. The problem is transitory and the controls will get established with stabilisation.

Para 9 a) and b) of the Annexure to the Auditors' Report

In view of the tight liquidity position and non availability of sufficient working capital, there were delays in remittance of some of the statutory dues. With improvement in the liquidity position the Company should be in a better position to pay the statutory dues in time.

Auditors

M/s. B.K.Ramadhyan & Co., Chartered Accountants and M/s. Chari & Co., Chartered Accountants are the retiring Auditors in India and Kuala Lumpur 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.Ramadhyan & Co., and M/s. Chari & Co.

Fixed Deposits

Currently, the Company is not accepting fresh deposits and is also not renewing the existing deposits. 42 persons had not claimed repayment of their matured deposits amounting to Rs. 5.48 lakhs as at 31st March, 2005.

Acknowledgements

The Directors place on record their appreciation of efforts of employees at all levels. They would also 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

Place : Bangalore

Date : 1st September, 2005

VIJAY R. KIRLOSKAR

Chairman & Managing Director

FIFTYEIGHTH ANNUAL REPORT 2004-2005

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 continues to conserve energy by

- 1) Use of Solar Energy
- 2) Improving system power factor at Testing Department
- 3) Reduction of maximum demand and restricting the maximum demand to billing demand.

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 for conservation of energy 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 motors/ generators 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. Cost reduction.

3. Future plan of action

- a. Indigenisation of imported technology and upgradation of existing technology
- b. Applied research and value engineering.
- c. Extension of range of inverters.
- d. Development of new processes

4. Expenditure on R & D (Rs. in 000's)

Capital	Nil
Recurring	1535
Total	<u>1535</u>
Total R & D Expenditure	1535
as a % of total turnover	0.05

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 process.
 - Modification of imported technology to suit the prevailing Indian Market.
- b. Benefits derived as a result of the above efforts
 - Enhanced Product Range

KIRLOSKAR ELECTRIC COMPANY LTD.

- 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 -

- a. 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.	98,044
(ii) Dividend on shares (net of tax)	Nil
(iii) Repatriation of Profit	Nil
(iv) Others	14,188
b. Value of imports calculated on the CIF basis.	
(i) Raw materials & Components and spare parts.	26,002
(ii) Capital Goods	2,837

For and on behalf of the Board of Directors

Place : Bangalore
Date : 1st September, 2005

VIJAY R. KIRLOSKAR
Chairman & Managing Director

FIFTYEIGHTH ANNUAL REPORT 2004-2005

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 eight Directors out of which three are Executive Directors and the balance five are Non - Executive Directors.

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 for meetings and reimbursement of expenses incurred for attending the meetings.

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

During the financial year, five Board Meetings were held. The meetings were held on 9.4.2004, 24.8.2004, 29.9.2004, 27.10.2004 and 31.1.2005.

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other directorships #	No. of other committee membership
1.	Mr. Vijay R Kirloskar	Chairman and Managing Director	5	Yes	12	2
2.	Mr. S.N. Agarwal	Director	4	Yes	5	Chairman - 1 Member - 2
3.	Mr. Anil Kumar Bhandari	Director	5	Yes	3	-Nil-
4.	Mr. Sarosh J Ghandy	Director	3	No	7	-Nil-
5.	Mr. K Kasthuri Rangan*	Nominee Director-LIC	4	Yes	-	-
6.	Mrs. Mythili Balasubramanian	Nominee Director-IDBI	4	Yes	1	-Nil-
7.	Mr. P.S. Malik	Whole-time Director	5	Yes	4	-Nil-
8.	Mr. D.R. Venkatesha Murthy	Whole-time Director	5	Yes	3	-Nil-

as on 31.3.2005 – Public Limited Companies only and for the Directors who continue on the Board.

* since ceased to be a Director of the Company w.e.f. 1st September, 2005. In his place Mr. Ramesh Dattatray Damle has been appointed.

Mr. Vijay R Kirloskar is the promoter director. All other non executive directors are independent directors.

Directors with materially significant related party transactions, pecuniary or business relationship with the Company

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that have potential conflict with the interests of the Company.

Audit Committee

The Audit Committee consists of three independent Non-Executive Directors. The terms of reference of the Audit Committee are in line with the powers, duties and responsibilities stipulated in Clause 49 of the Listing Agreement and under the Companies Act, 1956. During the financial year, the Committee met on 9.4.2004, 30.7.2004, 24.8.2004 and 27.10.2004.

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Name of Director	No. of Meetings Attended	
Mr. S.N. Agarwal	4	Chairman
Mr. Anil Kumar Bhandari	4	Member
Mr. Sarosh J Ghandy	2	Member
Mr. K. Kasturi Rangan*	4	Member

* Mr. K.Kasturi Rangan has ceased to be a Member as he has ceased to be a Director.

Shareholders/Investors Grievances Committee:

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 24.8.2004 and reviewed the status of shareholders' grievances, approved share transfers, etc.

The particulars of meetings 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, Company Secretary is the Compliance Officer.

Remuneration Committee

The Remuneration Committee at the beginning of the year consisted of following Directors :-

Mr. S.N.Agarwal - Chairman
 Mr. Anil Kumar Bhandari - Member
 Mr. Sarosh J Ghandy - Member
 Mr. K.Kasturi Rangan* - Member

* Mr. K.Kasturi Rangan has ceased to be a Member as he has ceased to be a Director. The Committee has three members now.

Since there were no issues requiring decision by the Remuneration Committee, the Committee had no meeting during the year under review.

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 31.3.2005 was 328.

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

Executive Directors:

(Rs. in lakhs)

Name	Salary	Contribution to P.F.	Total Amount
Mr. Vijay R. Kirloskar Chairman and Managing Director	30.00	3.60	33.60
Mr. P.S. Malik* Dy. Managing Director	-Nil-	-Nil-	-Nil-
Mr. D.R. Venkatesha Murthy Director (Sales and Marketing)	8.28	0.78	9.06

* No remuneration is being paid to Mr. Malik from the Company w.e.f. 1.4.2003 after his appointment in Kaytee Switchgear Limited (Subsidiary Company).

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The Managing Director has been re-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.

Non Executive Directors :

Name of the Director	Fees paid for attending Board / Committee Meetings Rs.
Mr. K. Kasturi Rangan	32,000
Mrs. Mythili Balasubramanian	20,000 *
Mr. S.N.Agarwal	35,000
Mr. Sarosh J Ghandy	21,000
Mr. Anil Kumar Bhandari	43,000

* Fees paid to IDBI

General Body Meetings

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

AGM	YEAR	VENUE	DATE	TIME
55 th	Apr 2000- Sep 2001	CHOWDIAH MEMORIAL HALL Gayathri Devi Park Extension, Vyalikaval, Bangalore - 560 003.	27.2.2002	10.00 A.M.
56 th	Oct 2001- Mar 2003	REGISTERED OFFICE OF THE COMPANY at Industrial Suburb, Rajajinagar, Bangalore - 560 010.	26.9.2003	10.00 A.M.
57 th	Apr 2003- Mar 2004	CHOWDIAH MEMORIAL HALL Gayathri Devi Park Extension, Vyalikaval, Bangalore - 560 003.	29.9.2004	10.00 A.M.

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

Disclosures

There were no transactions of materially significant nature with Promoters, Directors or the Management or their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.

There were no instances of non-compliance on any matter relating to capital markets, during the last three years.

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.

Company's results are sent to the Stock Exchanges by 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, its financial results can be accessed at the Company's website www.vrkec.com.

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

Shareholders' Information

Annual General Meeting

Date	:	September 29, 2005
Time	:	10.00 A.M.
Venue	:	Chowdiah Memorial Hall Gayathri Devi Park Extension Vyalikaval, Bangalore 560 003.

KIRLOSKAR ELECTRIC COMPANY LTD.

Financial Calendar

Un-audited Results for the Quarter ended	Approved on	Published in
30.06.2004	30.07.2004	Business Standard Samyuktha Karnataka
30.09.2004	27.10.2004	Business Standard Samyuktha Karnataka
31.12.2004	31.01.2005	Business Standard Samyuktha Karnataka
31.03.2005	25.04.2005	Business Standard Samyuktha Karnataka
30.06.2005	22.07.2005	Business Standard Samyuktha Karnataka

Financial Calendar for the period till 31.3.2006 is as given below :

Un-audited results for the quarter ending September, 2005 : Last week of October, 2005

Un-audited results for the quarter ending December, 2005 : Last week of January, 2006

Un-audited results for the quarter ending March, 2006 : Last week of April , 2006

Date of Book Closure : Tuesday September 27, 2005 to Thursday, September 29, 2005.

Dividend Payment Date : The Company has not declared any dividend for the financial year 2004-05.

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.
Madras Stock Exchange Ltd.

Stock Code : Bangalore Stock Exchange – KIRELECTRI
Madras Stock Exchange –KRL

ISIN Number : INE 134B01017

The listing fees for 2005-2006 have been paid to both the Stock Exchanges.

Market Price Data

There was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited during the year under review.

Registrar and Share Transfer Agents

M/s. Kirloskar Computer Services Limited, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares. Their address is :

Kirloskar Computer Services Limited

412 and 415 on 10th Cross, 5th Main Road

RMV II Stage

Bangalore 560 094

Telephone No : 23519311, 23519384

Fax No. 23519294

Website :www.kcsl.com

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

The Company's shares are in compulsory demat mode. Investors/Members are requested to note that physical documents, viz. Demat Request Forms (DRF), Share Certificates, etc. should be sent by their DPs' directly to the Transfer Agents of the Company. Investors/Members who purchase/acquire shares of the Company in the physical form should similarly send the physical documents, viz Transfer Deeds, Share Certificates etc. to the Transfer Agents of the Company. In cases of transfer of shares in the physical form, option is given to 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 31.3.2005. The number of physical transfers pending as on 31.3.2005 was 8 transfer applications for 609 shares and the number of dematerialisation requests pending was 169 for 20,025 shares. The transfers have been duly dealt with thereafter. The Company rematerialised 2,519 shares during the year.

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Distribution of Shareholding as on 31.3.2005

Shareholding Range	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	40193	96.04	2579380	8.25
501-1000	804	1.92	593853	1.90
1001-2000	429	1.03	596089	1.91
2001-3000	144	0.34	346833	1.11
3001-4000	80	0.19	278517	0.89
4001-5000	50	0.11	226712	0.72
5001-10000	82	0.20	589912	1.89
10001 and Above	70	0.17	26057521	83.33
TOTAL	41852	100.00	31268817	100.00

Pattern of Equity Shareholding as on 31.3.2005

Category	No. of Shares held	Percentage of shareholding
Promoters	14411879	46.09
Mutual Funds and UTI	480692	1.53
Banks, Financial Institutions	10894801	34.85
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	245601	0.79
Indian Public	5157975	16.50
NRI's/OCBS	77019	0.24
TOTAL	31268817	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2005 was Rs. 31,26,88,170.

Out of the total Equity paid up share capital of Rs.31,26,88,170, 19460880 equity shares representing 62.24% of the Equity Capital were held in dematerialised form as on 31.3.2005.

Shareholders complaints received during the period 1.4.2004 to 31.3.2005.

Type of Complaint	No. of Complaints received	No. of Complaints Redressed	Redressal under process
Letters of Complaints regarding dividend (Non-receipt of Dividend correction in Bank details etc.)	11	11	—
Letters of Non-receipt of Annual Reports	23	23	—
Change of Address and Bank details	3	3	—
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names, consolidation/ sub-division of shares and general transfer correspondence)	10	10	—
Complaints regarding Dematerialisation/Re-materialisation/ Rejection	25	25	—
Miscellaneous letters or complaints received other than above categories.	4	4	—

KIRLOSKAR ELECTRIC COMPANY LTD.

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

Plant Locations

Kirloskar Electric Company Ltd.
Belavadi Industrial Area
Mysore - 570 018

Kirloskar Electric Company Ltd.
Gokul Road,
Hubli - 580 030

Kirloskar Electric Company Ltd.
Hirehalli Industrial Area, Hirehalli,
Tumkur - 572 168

Address for Correspondence :

Kirloskar Electric Company Limited
Post Box No.5555,
Malleswaram West, Bangalore- 560 055
Telephone : 235721111, 23371771 Fax- 23377706
Web Site Address - www.vrkec.com

Management 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 VA of Clause 49 of the Listing Agreement has been annexed to the Directors' Report.

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

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

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

Information pursuant to Clause 49 VI (A) (c) of the Listing Agreement

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company is engaged in Electrical Industry which has various groups such as Rotating Machines Group, Static Equipment Group, Switchgear Group, Cable Group, Transformers Group, Capacitors Group, Transmission Line Group, etc., Each product group is having its different products within its broad range. The industry is further divided into two segments - Organised Sector and Unorganised Sector.

The industry has seen uptrend in demand during last one year or so. With the continued capacity expansions/newer investments in the user industries such as power, cement, paper, sugar, steel, pump, telecom etc. the demand for the company's products continues to improve. One more noteworthy thing is that in the past organised sector had to compete with the low quality cheap products from unorganised sector. But the norms of emission and noise will to some extent at least stave off the unfair competition that the organised sector had to face. The margins however, are depressed due to rising input costs coupled with intense competition. The quality, reliability of our products, and good after sale service and countrywide network of sales and service and with our products having approval of all major consultants and above all the Kirloskar Electric Brand Equity will let us have proportionately higher share in the increasing demand for the industry as such. The actual performance may however 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. 32036.37 lakhs as against Rs.21607.51 lakhs in the previous year. The profit before tax for the year is Rs.88.66 lakhs as against a loss of Rs. 429.85 lakhs in the previous year.

Segmentwise or productwise performance

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

FIFTYEIGHTH ANNUAL REPORT 2004-2005

The turnover of the Company (segmentwise) is as follows :-

(Rs.in 000's)

Products	2004-05	2003-04
Electronics	130323	108842
Rotating Machines Group	2377517	1653085
Power Distribution	451774	217316
Others	244023	181463
Total	3203637	2160751

Future Outlook

Due to improved demand from the user industries, the market for our products is presently buoyant but the margins may continue to be low due to increasing raw material costs.

Risks & Concerns

Rising input costs are a matter of concern as it may not be possible to pass them on fully to the customers.

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 business to ensure efficacy of operations and to ensure that assets are safeguarded against loss and for compliance with applicable legislation. There exists an adequate management reporting system comprising managerial reporting and analysis on various performance indicators, for corrective action as necessary. The Company has review systems of 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 cordial and the Company continued to have good support of all its employees at all levels.

For and on behalf of the Board

Bagalore

Date : 1st September, 2005

Vijay R Kirloskar

Chairman & Managing Director

KIRLOSKAR ELECTRIC COMPANY LTD.

CERTIFICATE OF THE AUDITORS IN RESPECT OF COMPLIANCE OF CORPORATE GOVERNANCE

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 31st March 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining attended/pending for more than 30 days.

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

for B.K.RAMADHYANI & CO.
Chartered Accountants

Place: Bangalore
Date : 1st September 2005

SHYAM RAMADHYANI
Partner