

FIFTYEIGHTH ANNUAL REPORT 2004-2005

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

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at 31ST March 2005, 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 said 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, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books, *subject to paragraph 8 of the annexure to this report.*
- 6 The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited M/s Chari & Company, 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 of schedule N (valuation of inventories of work in progress and finished goods not being in accordance with AS 2) and note 25 of schedule N. (non disclosure of prior period income/expenditure as required by AS 5)*
- 9 On the basis of written representations received from directors as on 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors, of the company disqualified as on 31st March 2005 of the Company 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 the following: -*
 - a) *Note 16 (c) of schedule N regarding balances with certain banks and financial institutions as per books being subject to reconciliation/confirmation, since such banks/financial institutions have not yet given effect to the scheme of arrangement under sections 391-394 of the Companies Act, 1956 approved by the honourable High Court of Karnataka,*
 - b) *Note 19 of schedule N regarding non provision for interest payable, if any under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993(effect on revenue is not ascertained)*
 - c) *Note 20 of schedule N regarding non-obtainment of confirmation of balances as a result of which we have placed reliance on the balances shown in the books of the Company, accounts with certain parties being under review/ reconciliation and non-provision for doubtful debts/disallowance/advances on a comprehensive basis (effect on revenue is not ascertained pending completion of review and availability of all necessary information).*
 - d) *Notes 21 and 22 of schedule N regarding shortfall in the market/fair value of investments in relation to their acquisition cost of Rs. 555.73 million and amounts due from certain companies of Rs.31.59 million, which have incurred losses and who's net worth have been partially or wholly eroded. We have relied on the representations of the management that the diminution in the value of investments is temporary in nature and that the debts/advances are good of recovery. We cannot express any independent opinion in the matter*
 - e) *Note 24 of schedule N regarding certain assets/ materials lying at port where installation/ clearances have not been completed for several years, which have been carried in the books at their cost (Rs.72.80 million). We have relied on the representations of the management that the said assets/ materials are in good condition and that the installation/ clearances will be completed before long. We are unable to express any opinion in the matter and*
- 11 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts 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 paragraphs 8 & 10 above and paragraphs 1, 2 & 4 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 31st March 2005
 - b. In the case of the profit and loss account, of the profit for the year ended on that date and
 - c. In the case of cash flow statement, of the cash flows for the year ended on that date.

For B.K.RAMADHYANI & CO.

Chartered Accountants

Shyam Ramadhyani

Partner

Membership number 200/19522

Bangalore

Date: 1st September, 2005

**ANNEXURE TO AUDITORS' REPORT
(AS REFERRED TO IN PARA 3 OF OUR REPORT TO THE MEMBERS OF
KIRLOSKAR ELECTRIC COMPANY LIMITED)**

1. a. The fixed asset records maintained by the Company need to be updated by interalia incorporating comprehensive description of fixed assets and changes in location in order to show full particulars.
- b. The management during the year has physically verified a portion of the fixed assets. *Reconciliation of a portion of the inventories with book records is under progress. Pending completion of reconciliation, discrepancies, if any cannot be completely ascertained. Fixed assets lying with third parties and at port are subject to confirmation.*
- c. During the year, the Company has disposed off a substantial part of its fixed assets. In our opinion, this does not affect the ability of the Company to continue as a going concern at the current juncture.
2. a. Inventories *other than stocks of the transformer division* 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 are 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 materials and components at the transformer division and work in progress.* The discrepancies noticed on verification between the physical stocks and the book records were not material.
- d. *The valuation of work in progress and finished goods as at 31st March 2005 are not in accordance with AS 2 as detailed in note 23 of schedule N. The valuation done by the management have been accepted as such.*
- e. We have relied on the representation of the management that the consumption of materials and components is in line with the industry norms.
3. The Company has neither taken nor granted any loans from/to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) of the Order are not applicable to the Company. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 18 & 22 of schedule N 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, 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 *except at the transformer division where controls in respect of purchases of inventory need to be strengthened.* We have not observed during the course of our audit any continuing failure to correct major weaknesses in internal controls.
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 section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. The Company Law Board has not passed an order.
7. In our opinion, the Company's has an Internal Audit System commensurate with its 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 non maintenance of inventory records at the transformer division.* We have not made a detailed review of the same to ensure their accuracy and completeness.

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9. a. *The Company has not 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.*
- b. *According to the information and explanations given to us, undisputed statutory dues as at 31.3.2005 outstanding for a period of more than six months from the date they became payable are detailed below (to the extent identified from the records pending complete reconciliation of the relevant accounts)*

<i>Name of the statute</i>	<i>Nature of dues</i>	<i>Amount (Rs.)</i>	<i>Period to which the amount relates</i>	<i>Date of payment</i>
<i>The Income Tax Act, 1961</i>	<i>Tax deducted at source</i>	<i>867,716</i>	<i>May to August</i>	<i>27-07-2005</i>
<i>Maharashtra Central Sales Tax</i>	<i>Sales Tax</i>	<i>197,756</i>	<i>2003 - 04</i>	
<i>Maharashtra Sales Tax Act</i>	<i>Sales Tax</i>	<i>151,702</i>	<i>2003 - 04</i>	
<i>The Customs Act, 1962.</i>	<i>Material lying at bonded warehouse</i>	<i>4,119,078</i>	<i>September 2000</i>	<i>-</i>

- c. *According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, wealth tax, excise duty, service tax and cess had not been deposited as at 31st March 2005 with the relevant authorities on account of disputes.*

<i>Name of the statute</i>	<i>Nature of the dues</i>	<i>Amount (Rs.)</i>	<i>Period to which the amount relates</i>	<i>Forum where dispute is pending</i>
<i>The Central Excise and Salt Act, 1944</i>	<i>Excise Duty Demand</i>	<i>750,000</i>	<i>April 94</i>	<i>Central Excise and Service Tax Appellate Tribunal</i>
<i>Central Sales Tax</i>	<i>Demands at Various Branches of the Company</i>	<i>800,221</i>	<i>1985 to 2001</i>	<i>Sales Tax Appellate Tribunal</i>
<i>Local Sales Tax at Various Branches</i>	<i>Demands at Various Branches of the Company</i>	<i>3,323,203</i>	<i>1985 to 2001</i>	<i>Sales Tax Appellate Tribunal</i>
<i>The Customs Act, 1962.</i>	<i>Customs demand</i>	<i>5,188,498</i>	<i>1994 to 1999</i>	<i>Asst. Commissioner of Customs</i>

10. *In our opinion, the accumulated losses of the Company is not more than fifty percent of its net worth. 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 defaulted in repayment of interest and instalments to banks to an aggregate extent of Rs.1.90 million and Rs.1.35 million respectively relating to the month of March 2005.*
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.*

KIRLOSKAR ELECTRIC COMPANY LTD.

15. In our opinion, the Company has not given any guarantees during the year for loans taken by others from banks and financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.
16. In our opinion, the Company has not taken any term loans during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
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 no funds raised on short-term basis have been used for long-term investment. For this purpose, working capital loans and overdue interest to banks and financial institutions converted to term loans pursuant to the scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 have been considered as funds raised on long term basis.
18. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.
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 fraud on or by the Company have been noticed or reported during the year.

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th main, 15th cross, Malleswaram,
Bangalore - 560 055
Date: 1st September 2005

For B.K.RAMADHYANI & CO.
Chartered Accountants

Shyam Ramadhyani
Partner
Membership number 200/19522

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BALANCE SHEET AS AT 31ST MARCH 2005

(Rs in 000's)

	Schedule	As at 31 st March, 2005	As at 31 st March, 2004
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Capital	A	432,688	432,688
b) Reserves & Surplus	B	675,541	787,205
		<u>1,108,229</u>	<u>1,219,893</u>
LOAN FUNDS			
a) Secured Loans	C	201,001	303,525
b) Unsecured Loans	D	2,120	2,895
		<u>203,121</u>	<u>306,420</u>
TOTAL		<u>1,311,350</u>	<u>1,526,313</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	E	389,739	612,328
b) Less : Depreciation		<u>262,273</u>	<u>309,444</u>
c) Net Block		127,466	302,884
d) Capital Work in progress (At cost)		<u>58,666</u>	<u>59,511</u>
		<u>186,132</u>	<u>362,395</u>
INVESTMENTS	F	555,951	583,531
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	G	127,529	126,729
b) Sundry Debtors		825,008	637,630
c) Cash & Bank Balances		217,773	348,375
d) Loans & Advances		<u>241,488</u>	<u>179,554</u>
		<u>1,411,798</u>	<u>1,292,288</u>
Less : CURRENT LIABILITIES & PROVISIONS	H		
a) Current Liabilities		1,273,124	1,319,594
b) Provisions		<u>12,979</u>	<u>10,932</u>
		<u>1,286,103</u>	<u>1,330,526</u>
NET CURRENT ASSETS		<u>125,695</u>	<u>(38,238)</u>
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	I	77,882	132,451
PROFIT & LOSS ACCOUNT		<u>365,690</u>	<u>486,174</u>
TOTAL		<u>1,311,350</u>	<u>1,526,313</u>
NOTES ON ACCOUNTS	N		
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	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

S. N. AGARWAL
Director

SHYAM RAMADHYANI
Partner

P.Y. MAHAJAN
Company Secretary

R.K. GUPTA
Vice President &
Chief Financial Officer

Bangalore
Date : 1st September, 2005

KIRLOSKAR ELECTRIC COMPANY LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005 (Rs in 000's)

	Schedule	Current Year	Previous Year
INCOME			
Sales		3,203,637	2,160,751
Less: Excise Duty		83,203	55,179
Other Income	J	12,573	41,590
Profit on Sale of Long term Investment		-	14,446
Remission of Loan liability		23,412	-
Profit on Sale of Fixed Assets		91,648	39,094
TOTAL		3,248,067	2,200,702
EXPENDITURE			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	2,855,858	1,907,035
Operating and Other Expenses	L	203,968	216,899
Restructuring Expenses		9,153	
Interest and Finance Charges			
On Fixed Loans		18,710	15,654
On Other Accounts		3,832	12,009
		22,542	27,663
Loss on Sale of Fixed Assets		47,931	25,716
Depreciation, Amortisations and Provisions	M	99,749	66,374
TOTAL		3,239,201	2,243,687
PROFIT / (LOSS) BEFORE TAXATION		8,866	(42,985)
Less : Provision for Taxation (net)		46	(594)
PROFIT / (LOSS) FOR THE YEAR		8,820	(42,391)
Add : Transfer from General Reserve			
- Realised portion of revaluation reserve on sale of Asset		111,664	1,256
		120,484	(41,135)
Less : Loss brought forward from Previous Year		(486,174)	445,039
Balance of Loss Carried to Balance Sheet		(365,690)	(486,174)
Earning per Share (Face Value Rs 10 per share)			
Basic		(0.02)	(1.70)
Diluted		(0.02)	(1.59)

NOTES ON ACCOUNTS N

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE 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

S. N. AGARWAL
Director

SHYAM RAMADHYANI
Partner

P.Y. MAHAJAN
Company Secretary

R.K. GUPTA
Vice President &
Chief Financial Officer

Bangalore
Date : 1st September, 2005

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2005

(Rs in 000's)

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.
SCHEDULE "A"		
Authorised :		
3,000,000 Preference Shares of Rs. 100/- each	300,000	300,000
40,000,000 Equity Shares of Rs. 10/- each	400,000	400,000
TOTAL	700,000	700,000
Issued, Subscribed and Paid-up :		
1,200,000 Preference Shares of Rs. 100/- each	120,000	120,000
31,268,817 Equity Shares of Rs. 10/- each	312,688	312,688
TOTAL	432,688	432,688

NOTES : 1. Equity Shares include :

- a) 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;
- b) 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.
- c) 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by Honourable High Court of Karnataka.
2. The promoter stakeholders are to bring in capital by way of issue of equity shares to an extent of two million equity shares of Rs 10/- each at a premium of Rs 20/- per share.
3. The preference shares shall be redeemed in 3 annual installments on 30.09.2008, 30.09.2009 and 30.09.2010 respectively.
4. The 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.

SCHEDULE "B"

RESERVES AND SURPLUS

(Rs. in 000's)

Capital Reserve		
As per last Balance Sheet	1,806	1,806
Revaluation Reserve		
As per last Balance Sheet	159,705	160,961
Less: Transferred to General Reserve	111,664	1,256
	48,041	159,705
Capital Redemption Reserve		
As per last Balance Sheet	2,500	2,500
Share Premium Account		
As per last Balance Sheet	614,194	614,194
General Reserve		
Transfer from Revaluation Reserve	111,664	1,256
Less : Transfer to P & L Account	111,664	1,256
	-	-
Reserve for Doubtful Debts		
As per last Balance Sheet	9,000	9,000
TOTAL	675,541	787,205

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2005

(Rs in 000's)

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.
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SCHEDULE "C"

SECURED LOANS

a) From Banks	151,601	206,913
b) From Financial Institutions	-	47,212
c) Zero Coupon Debentures	49,400	49,400
TOTAL	201,001	303,525

SCHEDULE "D"

UNSECURED LOANS

a) Fixed Deposits Unclaimed	549	632
b) Interest accrued and due - FDs	272	964
c) SICOM Sales Tax loan	1,119	1,119
d) HDFC Housing Loan	180	180
TOTAL	2,120	2,895

NOTE : Amount falling due for payment within one year is Rs.2.120 million (Previous year Rs.2.895 million).

SCHEDULE "E"

FIXED ASSETS

PARTICULARS	Gross Block (at cost)				Depreciation				Net Block	
	As at 1st April 2004	Additions/Transfers	Deductions/Transfers	As at 31st March 2005	As at 1st April 2004	For the year	Withdrawals during the year	As at 31st March 2005	As at 31st March 2005	As at 31st March 2004
GOODWILL	42,346	-	-	42,346	42,346	-	-	42,346	-	-
LAND (*)	164,814	-	111,664	53,150	-	-	-	-	53,150	164,814
BUILDINGS (#)	154,376	9,645	111,601	52,420	67,543	1,708	36,867	32,384	20,036	86,833
PLANT & MACHINERY (Includes Technical knowhow)	190,000	7,851	14,863	182,988	152,310	3,315	13,897	141,728	41,260	37,690
Furniture Equipment	48,584	989	5,272	44,301	38,240	1,951	4,352	35,839	8,462	10,344
Vehicles and Aircraft	12,208	2,609	283	14,534	9,005	1,126	155	9,976	4,558	3,203
TOTAL	612,328	21,094	243,683	389,739	309,444	8,100	55,271	262,273	127,466	302,884
PREVIOUS YEAR	709,966	23,761	121,399	612,328	361,246	9,269	61,071	309,444		

(#) Includes :

- (i) Rs. 2.123 million being the cost of ownership premises in Co-operative Societies (Previous Year Rs. 2.123 million) including shares of Rs. 1,000 (Previous Year Rs. 1,000) of the Co-operative Societies. The Company is to receive shares of Rs. 500/- from a Co-operative Society (proposed) and shares worth Rs. 500 are to be transferred to the Company.
- (ii) Rs. 3.337 million being the cost of ownership premises taken in possession for which Society is to be formed.
- (iii) Rs. 2.840 million being the cost of premises bought on lease-cum-sale basis.
- (*)** Land includes foundry land at Bangalore which 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).

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SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005

(Rs in 000's)

	Nos.	Face Value	As at 31st March 2005 Rs.	As at 31st March, 2004 Rs.
SCHEDULE "F"				
INVESTMENTS (AT COST)				
(LONG TERM)				
A. TRADE :				
(a) Quoted :				
(i) Equity Shares - Fully Paid-up				
Deepak Insulated Cable Corporation Ltd., (12,000 Bonus Shares)	104,750	10	—	—
ICICI Ltd.,	10,666	10	—	—
Kirloskar Computer Services Ltd., (#~)	200,000	10	2,380	2,380
Karnataka Ball Bearing Corporation Ltd.,	356,000	10	—	—
The Mysore Kirloskar Ltd., (#)	770,750	10	21,260	21,260
Kirloskar Ferrous Industries Ltd.,	2,000,000	10	—	—
(ii) Debentures - Fully Paid-up				
The Mysore Kirloskar Ltd., @	30,000	44	1,320	1,320
(b) Unquoted :				
(i) Equity Shares - Fully Paid-up				
In Subsidiary Company :				
Kaytee Switchgear Ltd (\$)	15,619,512		529,200	529,200
Best Trading & Agencies Ltd., (acquired 42,000 shares on rights issue)	584	10	6	6
KEC North America Inc	210	—	12,936	12,936
In Other Companies :				
Kirloskar Proprietary Ltd., (aquired 25 shares on rights issue)	26	100	128	128
Sangli Bank Limited	10,000	10	100	100
Kirloskar (Malaysia) Sdn. Bhd, Kuala Lumpur, Malaysia	150,000	MR 1	529	529
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.,	1,050,000	10	8,700	8,700
KEASI Robican Industrial Systems Pvt. Ltd., (Formerly Kirloskar Ansaldo Industrial Systems Ltd.,)	500,000	10	5,000	5,000
			583,531	583,531
Less:				
Provision for diminution in value of Investments			27,580	—
TOTAL			555,951	583,531

~ Pledged with ICICI Bank Limited as security for Term Loan.

Non-disposal undertaking furnished to financial institution and matured & due for payment.

@ Matured and due for payment.

\$ Acquired pursuant to the order of the Hon'ble High Court of Karnataka on the Company's petition under Sections 391-394 of the Companies Act,1956

NOTES :

	Rs in 000's	Rs in 000's
1) Aggregate value of quoted investments		
Cost	24,960	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	558,571	558,571

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2005

(Rs in 000's)

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.
SCHEDULE "G"		
CURRENT ASSETS, LOANS & ADVANCES		
A. Current Assets		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, Stores, Spares Parts, Components etc.,	32,982	36,184
ii. Stock in Trade		
Finished Goods (including Trading Stocks)	28,335	43,637
Process Stock	57,299	33,574
iii. Others-Including Material at Port and Scrap	16,913	13,334
	135,529	126,729
Less: Provision for Non-moving Stock	8,000	-
	127,529	126,729
2. Sundry Debtors		
(Unsecured, considered good except doubtful debts of Rs. 12.553 million, previous year Rs. 12.556 million)		
i. Debts outstanding for a period exceeding six months	312,406	294,238
ii. Other Debts	525,155	355,948
	837,561	650,186
Less : Provision for doubtful debts	12,553	12,556
	825,008	637,630
3. Cash and Bank Balances		
a. Cash on Hand	11	35
b. Cheques in hand	336	694
c. Amount in transit	2,248	4,330
d. Balances with Scheduled Banks		
- On Current Account	70,247	107,629
- Unclaimed / Unpaid Dividends On Current Account	349	1,150
- On Short term deposit accounts	144,582	234,537
	217,773	348,375
B. Loans and Advances		
(Unsecured, considered good except doubtful advances of Rs. 14.968 million, previous year Rs. 16.301 million)		
Advances Recoverable in Cash or in kind or for value to be received		
Sundry Advances (***)	243,712	187,395
Less : Provision for Doubtful Advances	14,968	16,301
	228,744	171,094
Central Excise Deposits	7,435	5,180
Advance payment of tax	5,309	3,280
	241,488	179,554
TOTAL	1,411,798	1,292,288

*** Includes balances due with customs Rs. 2.61 million (Previous year Rs. 2.67 million).

FIFTYEIGHTH ANNUAL REPORT 2004-2005**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2005**

(Rs in 000's)

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.	
SCHEDULE "H"			
CURRENT LIABILITIES & PROVISIONS			
A. Current Liabilities			
Sundry Creditors	350,966	337,610	
Trade Advances	28,163	31,687	
Unclaimed / Unpaid Dividends (*)	349	1,150	
Other liabilities (@)	277,408	202,229	
Due to subsidiary company	615,730	746,054	
Interest accrued but not due on loans and deposits	508	864	
	<u>1,273,124</u>	<u>1,319,594</u>	
B. Provisions			
For Taxation	6,492	6,446	
For Earned Leave Encashment	2,682	2,181	
For Warranty claim	3,805	2,305	
	<u>12,979</u>	<u>10,932</u>	
TOTAL	<u><u>1,286,103</u></u>	<u><u>1,330,526</u></u>	

(*) Unclaimed for less than 7 years.

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

SCHEDULE "I"**MISCELLANEOUS EXPENDITURE TO THE
EXTENT NOT WRITTEN-OFF**

1 Deferred Revenue Expenditure			
Voluntary Retirement Scheme	77,882	132,451	
	<u>77,882</u>	<u>132,451</u>	
TOTAL	<u><u>77,882</u></u>	<u><u>132,451</u></u>	

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
SCHEDULE "J"		
OTHER INCOME		
Interest :		
On Fixed Deposits	5,695	1,834
Others	654	310
(Tax deducted at source Rs.0.26 million) (previous year Rs.0.1 million)	6,349	2,144
Dividend from Long term		
Investments :		
Trade	10	163
Rent Received	5,286	3,437
(Tax deducted at source Rs.0.50 million) (previous year Rs.0.49 million)	928	35,846
Miscellaneous*	928	35,846
TOTAL	12,573	41,590

* Includes provision no longer required Rs. 218 (Rs. 29,474)

SCHEDULE "K"

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

Raw material and Components	484,278	391,874
Stores, Spare Parts etc	-	4,790
	484,278	396,664
Purchases for Trading	2,380,003	1,561,979
	2,864,281	1,958,643
Add/(Deduct) : Decrease / (Increase) in Stocks		
Stock at Close		
Process Stock	57,299	33,574
Trading and Finished Goods	28,335	43,637
	85,634	77,211
Less : Stock at commencement		
Process Stock	33,574	16,218
Trading and Finished Goods	43,637	9,385
	77,211	25,603
	(8,423)	(51,608)
	2,855,858	1,907,035

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
SCHEDULE "L"		
OPERATING & OTHER EXPENSES		
Power & Fuel	6,808	5,205
Expenses relating to Employees :		
Salaries, Wages & Bonuses	73,170	86,492
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	5,838	8,324
Gratuity as per actuarial valuation	5,649	4,066
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	8,357	7,200
	93,014	106,082
Rent	5,677	7,252
Repairs		
Buildings	3,129	679
Machinery	1,517	796
Others	2,811	4,157
	7,457	5,632
Selling Expenses	7,720	7,316
Commission	298	3,233
Cash Discount	6	13
Additional Sales Tax	5,061	1,453
Maintenance of Vehicles	988	873
Insurance	2,109	1,458
Rates and Taxes	5,789	3,006
Advertisement	2,051	5,564
Printing & Stationery	3,274	3,743
Travelling Expenses	23,272	25,535
Postage, Telegrams and Telephones	9,270	9,299
Auditors Remuneration	1,308	1,242
Tech. Consultancy & Professional Charges	13,503	9,884
Royalty	23	-
Bank Charges (Includes difference in exchange of Rs.039 million, previous year Rs.6.84 million)	3,164	10,271
Subscription to Technical Associations, Journals and Magazines	2,183	1,467
Computer hire, Software development and data preparation charges	-	43
Manufacturing expenses and sundries	6,519	4,026
Bad debts written off	1,349	271
Less : Provision for Doubtful debts withdrawn	1,333	271
	16	-
Donations	35	3
Directors' sitting fees	157	98
Remuneration to Whole-time Directors	4,266	4,201
	203,968	216,899
SCHEDULE "M"		
DEPRECIATION, AMORTISATION AND PROVISIONS		
1. Depreciation	8,100	9,269
2. Amortisation of Voluntary Retirement Scheme	54,569	56,672
3. Diminution in value of investment	27,580	-
4. Diminution in the value of Inventories	8,000	-
5. Warranty claim	1,500	433
	99,749	66,374

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE "N"

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:

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.

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:

Raw Materials, Stores, Spare Parts and Components are valued on FIFO basis at net landed cost except for stocks purchased in prior years at switchgear division, which are valued at estimated cost due to non-availability of adequate data or net realizable value whichever is lower. Work in progress is valued at works cost. Finished goods are valued at cost or market price whichever is lower.

1.5 DEPRECIATION:

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.
- b) 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.
- c) 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.
- d) Depreciation on assets leased is charged over the primary lease period.
- e) Depreciation on assets (other than Furniture and Fixtures provided to employees) 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.

1.6 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- a) Expenditure incurred under the voluntary retirement scheme, providing for lump sum benefits at the time of retirement is amortised over a period of 4 / 5 years.
- b) Liability in respect of other Voluntary Retirement Schemes providing for payment of benefits in installments over specified periods is amortised over 5 years.

1.7 CONSTRUCTION CONTRACTS:

Invoicing in respect of indivisible Works Contracts is done on the basis of confirmation of delivery at site for full value of the equipment inclusive of corresponding erection and commissioning charges as indicated in the contract.

1.8 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 capitalised as Fixed Assets and depreciation provided as detailed above.

1.9 REVENUE RECOGNITION:

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

1.10 RETIREMENT BENEFITS:

Contribution to Gratuity and Superannuation funds has been computed for the Company and Kaytee Switch Gear Limited (KSL) together, based on the assessment of liability by Life Insurance Corporation of India. The total liability has been apportioned between the companies on an estimated basis.

1.11 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC.:

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11 prescribed by The Institute of Chartered Accountants of India.

1.12 TAXES ON INCOME:

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

1.13 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.

1.14 CONTINGENT LIABILITIES:

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.

1.15 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.

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,) Rs. in 000's

	As at 31st March, 2005	As at 31st March 2004
2. CONTINGENT LIABILITIES ETC		
i) Guarantees / Counter guarantees given on Import and Sale contracts etc.	42,507	38,937
ii) Certain industrial disputes are pending before various judicial authorities - not acknowledged by the Company.	Not Ascertainable	Not Ascertainable
iii) Wage settlements have expired at certain units of the company and Negotiations are under progress. Wage arrears, if any.	Not Ascertainable	Not Ascertainable
iv) Bills discounted with bank	14,854	Nil
v) 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	5,938	3,413
vi) Sales tax demanded under appeal in branches of the Company	8,855	16,506
vii) 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)	219,618	214,871
viii) The Company has furnished guarantees for the loan of Rs.43.24 million (Previous year Rs. 43.24 million) interest and other costs provided to Kirloskar Computer Services Ltd., (KCSL) credit facilities of Rs.152.55 million (Previous year: Rs.129.50 million) interest and other costs to Kirloskar Batteries Limited (KBTL) and redemption of Preference shares issued by Kirloskar Investment and Finance Ltd. (KIFL) Rs. 20 million (Previous year Rs. 20 million) and has obtained counter guarantees from the said Companies. The preference shareholder of KIFL has claimed the amount from the Company. The Company has written to the said party denying its liability. The Company does not acknowledge this liability.		
ix) The Commercial Tax authorities have issued notices concerning the tax liability relating to Entry tax on certain disputed items for the period 1983-84 to 1992-93 which is pending disposal before the Hon'ble Supreme Court, Karnataka High Court and other Appellate authorities. The liability is not acknowledged as debt by the Company	Nil	8,731
x) Arrears of dividend on cumulative preference shares (including tax thereon). In terms of the Scheme of Arrangement approved by the Hon'ble High Court of Karnataka, dividend on the said preference shares with effect from October 1 st , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 st , 2001 to September 30 th , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 th , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said Preference Shares from October 1 st , 2001 to September 30 th , 2003. However, on subsequent reexamination of the matter, the Board of Directors held that the said allotment was contrary to the scheme since in terms of the same, dividends with effect from October 1 st , 2001 were payable only out of profits and in as much as there were no profits, the allotment would be violative of section 205 of the Companies Act, 1956. Accordingly your Board of Directors vide their meeting held on January 17 th , 2004 proceeded to annul the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalisation of the matter, no provision has been made in the books of account for the same.	41,106	31,193
xi) Sales tax liability in respect of pending assessments	Not Ascertainable	Not Ascertainable
xii) 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
xiii) Interest and penalty if any, on account of delays/defaults 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

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.

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,) Rs. in 000's

	As at 31st March, 2005	As at 31st March 2004
3. SECURED LOANS		
A Loans and Advances from banks :		
i) From Bank of Commerce (M) Bhd, Selangor, Malaysia - Secured by a floating charge in respect of property situated, kept, placed or stored at any place in Malaysia, both present and future, including all stocks in trade, goodwill and book debts to an extent of RM 550,000.	1,556 RM 136	700 RM 61
ii) a) Working capital Term Loan & funded interest term loans from consortium banks are secured by first pari passu charge on 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.		
b) Other working capital facilities - First pari passu charge on all current assets by the Chairman & Managing Director of the Company.		
B Loans and Advances from Financial Institutions :		
i) From Housing Development Finance Corporation Ltd – Rupee loan secured by properties at Mumbai.	Nil	47,212
ii) Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) above.	49,400	49,400
4. Balances with Foreign banks		
i) With Bank of Commerce (M) Bhd., Kuala Lumpur :		
On Short term deposits	10,381 RM 918	10,229 RM 903
Maximum Balance at any time during the year	10,381 RM 918	19,601 RM 1,594
ii) With HSBC, Dubai		
On Current Accounts	193 AED 16	234 AED 20
Maximum balance at any time during the year	234 AED 20	576 AED 45
iii) With HSBC Dubai		
On Current Account	535 \$ 12	603 \$ 14
Maximum balance at any time during the year	603 \$ 14	603 \$ 14
5. Net dividend remitted in Foreign Currency during the year 2004-2005		
Number of Non-resident shareholders (exclusive of Shareholders whose dividends are credited to their Accounts in India)	3 (Three)	3 (Three)
Number of Equity Shareholdings	1,905,401	1,905,401
6. Earning in Foreign Exchange		
i) F.O.B. value of Goods exported (Net) (inclusive of Sales within India eligible for export incentives)	98,044	33,804
ii) Remittances from overseas offices (Net)	14,188	37,101
iii) Dividend on Shares (net of Tax)	Nil	141

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,) Rs. in 000's

	As at 31st March, 2005	As at 31st March 2004			
7. Value of Imports calculated on CIF basis:					
i) Raw Materials	5,437	Nil			
ii) Components and Spare parts	20,565	14,086			
iii) Capital items	2,837	Nil			
8. Expenditure in foreign currency during the financial year	6,719	6,529			
9. Remuneration to Auditors:					
a) IN INDIA					
i) for Audit	350	350			
ii) for Taxation matters / tax audit	350	350			
iii) for Certification work etc.	205	205			
iv) for S.A.F. & P.F. Audit	75	75			
v) for Management Services / service tax	203	120			
vi) Cost Audit Fees	50	50			
b) IN MALAYSIA					
i) for Audit	46	63			
ii) for Taxation matters	29	29			
TOTAL	1,308	1,242			
Excludes out of pocket expenses of Rs.0.07 million (Previous Year 0.03 million)					
10. Expenditure on Research and Development during the year:					
Revenue	1,535	2,619			
11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption:					
Value of imported raw materials, stores, spare parts & components consumed	5.12%	24,775			
	4.78%	19,000			
Value of indigenous raw materials, stores, spare parts & components consumed	94.88%	459,503			
	95.22%	377,664			
	100%	484,278			
	100%	396,664			
12. Consumption of major raw materials and components during the year:					
	Unit	Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc)	MT	250	45,322	167	28,017
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	814	78,236	112	8,325
3. Others		(*)	360,720	(*)	360,322
TOTAL			484,278		396,664

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

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (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*	35 (119)
2.	Transformers	Kva	8,00,000*	8,00,000*	611,670 (300,360)
3.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1,800+	Nil
4.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	Units	3,000*	3,000*	1,558 (1,267)
5.	Induction Heating Equipment such as Induction Heaters and Welders, Die Electric Heaters & Plastic Welders with associated handling equipment	Nos	150*	50*	Nil
6.	Vertical Mechanical Comparator, Sigmasize Electronic Gauging Indicator, Sigmaflash electronic column guage, Sigmaster fixturing systems.	Nos.	1,400	200	Nil
7.	Micro and Mini Computers	Rs. In million	100*	80	Nil
8.	Industrial Electronic Voltage Regulators	Nos.	20,000	8, 000	2,242 (4,072)
9.	Uninterruptible Power Systems	Nos.	5,000*	500	314 (106)
10.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil (Nil)
11.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	126 (46)
12.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil
13.	Alternators	Nos.	191,500	78,000	Nil
14.	D.G. Sets	Nos.			161
15.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		404 (209)

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.
- \$ Standing in the name of Kirloskar Systems Ltd., whose switchgear business is taken over by the Company.
- The Licenses relating to the rotating machines group transferred to Kaytee Switchgear Limited, stand in the name of the Company.

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

14. Opening and Closing Stock 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	644 (-)	12,756 (-)	184 (644)	12,008 (12,756)
2.	Transformers	3 (1)	753 (117)	Nil (3)	Nil (753)
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	26 (54)	3,018 (2,307)	61 (26)	2,152 (3,018)
4.	Micro and Mini Computers	Nil (3)	Nil (-)	Nil (-)	Nil (-)
5.	Uninterruptible Power Systems	20 (49)	623 (2,130)	40 (20)	1,051 (623)
6.	Metal Cutting including Grinding Machines (**)	Nil (8)	Nil (-)	Nil (-)	Nil (-)
7.	Machine tool accessories including digital readouts (**)	Nil (5)	Nil (-)	21 (-)	264 (-)
8.	Switchgears	Nil (3)	Nil (1,078)	1 (-)	814 (-)
9.	D G Sets	20 (-)	661 (-)	39 (20)	1,444 (661)
10.	Industrial Electronic Voltage Regulators	(-) (-)	(-) (-)	43 (-)	48 (-)
11.	Others		22,164 (-)		10,554 (22,164)
	AT KUALA LUMPUR				
	Electric Motors	176 (-)	818 (-)	Nil (176)	Nil (818)
	Sluice Valves	9 (10)	187 (222)	Nil (9)	Nil (187)
	Diesel Engines	Nil (-)	Nil (-)	Nil (-)	Nil (-)
	Centrifugal Pumps	165 (179)	2,657 (3,531)	Nil (165)	Nil (2,657)
	Others	Nil	Nil	Nil	Nil
	TOTAL		43,637 9,385		(28,335) (43,637)

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

15. a) 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	93,014	2,354,947	85,245	1,735,791
2.	Transformers	462	262,459	205	119,356
3.	Controls for Alternators/ Generating sets, Variable Speed Drive Controls, Static Exciters and Inverters, Electronic Controls for Machine Tools, HV testers, Coolers, stud Welders, Thermister Protection units and RF Induction Generators	1,523	113,388	1,295	117,509
4.	Uninterruptible Power Systems	294	12,112	135	8,216
5.	Metal Cutting including Grinding Machines (**)	Nil	442	8	105
6.	Machine tool accessories including digital readouts (**)	105	1,401	51	8,336
7.	Industrial Electronic Voltage Regulators	2,199	Nil	4,072	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	403	173,992	212	97,796
9.	D G Sets	142	11,666	261	14,913
10.	Others		269,171		56,535
b)	AT OVERSEAS OFFICES				
	Sluice Valves	9	92	1	19
	Diesel Engines	Nil	Nil		
	Centrifugal Pumps	165	2,780	20	1,647
	Others		1,187		528
	TOTAL		3,203,637		2,160,751

15. b) Details of Purchases of Trading goods during the year:

Item No.	Class of Goods	Current Year		Previous Year	
		QTY NOS.	VALUE Rs. IN 000's	Qty Nos.	Value Rs. in 000's
a)	INLAND: Motors/ Alternators Transformers Others	85,703 Nil	2,236,816 Nil 143,090	76,452 Nil	1,478,074 Nil 83,145
b)	AT KUALA LUMPUR Electronic Motors Sluice Valves Diesel Engines Centrifugal Pumps Others	Nil Nil Nil Nil	Nil Nil Nil Nil 97	Nil Nil Nil 6	Nil Nil Nil 555 205
	TOTAL		2,380,003		1,561,979

* Includes own manufactured goods sold at Kuala Lumpur office.

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

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SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

16. a. The order of the Honorable High Court of Karnataka according approval for the scheme of arrangement under sections 391 to 394 of the Companies Act 1956 was received in February 2003 with effect from September 30, 2001 as the appointed day. This scheme of arrangement inter alia involved restructuring of liabilities to banks and financial institutions and transfer of the rotating machines group to Kaytee Switchgear Limited (KSL).
 - b. All statutory remittances and regulatory returns were made/ filed by the Company/ KSL as if they were one company for a part of the year.
 - c. A few banks and financial institutions who had advanced monies to the Company have not yet bifurcated the transactions of and the amounts owed by the Company, KSL and Best Trading and Agencies Limited, the special purpose vehicle for holding certain assets and liabilities as per the orders of the Honorable Court. However, the Company has given effect to the scheme as approved by the honorable court. Accordingly, the balances owed to such banks and institutions as at 31st March 2005 are as per books and are subject to confirmation. Charge will be registered with the Registrar of Companies in few cases after completion of documentation.
 - d. Certain assets and liabilities of KSL/Best Trading and Agencies Limited including consents/approvals from various regulatory authorities continue to remain in the name of the Company. Necessary action is being taken in the matter.
 - e. Operating and other expenses vide Schedule 'L' includes Rs.4.80 million representing common expenses apportioned by KSL on a mutually agreed basis.
 - f. Motors, alternators and components thereof manufactured by KSL are purchased by / manufactured for the Company under contract manufacturing/ subcontracting arrangements entered into. The arrangements entered into envisages a sale price for KSL based on the ultimate sales value of the Company for sale of motors and alternators from its customers minus a mark down to take care of estimated branch and distribution network costs. In respect of sale of spare parts supplied, a mutually agreed price is charged by KSL to Company. Company also has back to back claims against KSL for all shortfalls in realization from its customers (liquidated damages, freight, disallowances, warranty claims, other losses etc.,)
 - g. Sundry debtors of KSL as on April 1st, 2003 were taken over by the Company at their book values. However the Company has back-to-back claims against KSL for all short falls thereof (Bad debts, liquidated damages, disallowances, warranty claims etc).
17. 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.
 18. Sundry Advances includes Rs. 7.42 million (previous year Rs.6.58 million) due from private limited company in which a director is interested.
 19. Sundry creditors include Rs.50.85 million (Previous Year: Rs. 54.26 million) to small-scale industrial undertakings to the extent identified from the records of the company. Parties to whom amounts outstanding for more than 30 days are enclosed in the annexure Interest payable, if any, under Interest on delayed payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 will be accounted on settlement. All data of this paragraph is as certified by the management.
 20. Confirmation of balances from sundry debtors, deposit accounts, loans and advances, creditors and a subsidiary are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, a subsidiary, collector of customs and creditors, are under review and reconciliation. Provision for doubtful debts / advances have been made to the extent ascertained. Adjustments if any, will be made on completion of review/ reconciliation. Effect on revenue is not ascertainable.
 21. Kirloskar Computer Services Limited where the Company holds shares has incurred substantial losses. However, the

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

company is confident of realising the acquisition cost and shortfall, if any, is not likely to be material. Under the circumstances, diminution in the value of the said investments is considered temporary and no provision is considered necessary by the management.

22. a) The Company holds unquoted investments with book value of Rs. 553.35 million in M/s. Kirloskar Power Equipment Limited, KEC North America Inc., USA (Subsidiary), Kirsons Trading Pte. Ltd, Best Trading and Agencies Limited, Kirloskar (Malaysia) Sdn. Bhd., Kirloskar Kenya Limited, and KSL. Current Assets, Loans & Advances include Rs 31.59 million due from these and 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, the potential of the power sector & the North American market, their revival plans as communicated to the Company and other factors, no provision either for diminution in the value of investments or the value of receivables is considered necessary. The diminution in the value of the said investments is considered temporary by the management.
23. Inventories of work in progress and finished goods continue to be valued as per the method consistently followed in the past. Accounting Standard 2 prescribed by the Institute of Chartered Accountants of India has not been followed in certain respects.
24. a) Capital work in progress Rs 55.92 million representing value of assets at port/ under installation for periods exceeding several years. The Management is hopeful that it will be in a position to put the said assets to use before long. The management has identified a team who is studying the matter and assess the further investment required in the matter.
- b) Materials lying at port include Rs. 16.88 million representing value of materials not cleared for period exceeding one year. The management is hopeful that it will be in a position to clear the same before long.
25. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 issued by The Institute of Chartered Accountants of India but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
26. Loans & Advances include Rs. 152.677 million (Rs. 121.059 million) due to KSL
27. 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. 5,677 (Rs. 7,272).
28. In the absence of profits in terms of Sec 349 of the Companies Act, 1956, minimum remuneration as stated below has been paid / provided to the whole time Directors of the Company.

Particulars		(Rs. In 000's)	
		Current Year	Previous year
a)	Managing Director		
	Salary	3,000	3,000
	Contribution to Provident & Other Funds	360	360
	TOTAL	3,360	3,360
b)	Other Whole Time Directors		
	Salary	828	780
	Contribution to Provident & Other Funds	78	61
	TOTAL	906	841
	GRAND TOTAL	4,266	4,201

Liability in respect of accrued gratuity is not ascertainable separately.

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

29. Related Parties Disclosure:

Sl. No.	Name of the related party	Relationship
1	KEC North America Inc, USA Kaytee Switchgear Limited	Subsidiaries
2	Mr. Vijay R. Kirloskar Mr. P.S. Malik Mr. D.R. Venkatesh Murthy Mrs. Meena Kirloskar Ms. Janaki Kirloskar	Key management personnel and their Relatives.
3	KEASI Robican Industrial Systems Limited Kirloskar (Malaysia) Sdn. Bhd Kirloskar Power Equipments Limited	Associates and joint ventures
4	Kirloskar Computer Services Limited Kirloskar Batteries Private 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 , USA	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS

(Rs. in 000's)

Nature of transaction	Subsidiaries	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	Total
Purchases of goods/services	2,236,817 (1,485,657)	Nil (-)	3,143 (-)	2,715 (-)	2,242,675 (1,485,657)
Sale of goods	9,914 (4,473)	Nil	12,972 (5,884)	1,334 (445)	24,220 (10,802)
Rent received	Nil	Nil	Nil	2,442 (2,400)	2,442 (2,400)
Common expenses paid	4,800 (4,800)	Nil	Nil	Nil	4,800 (4,800)
Investments as on 31.03.2005	542,136 (542,136)	Nil	14,229 (14,229)	2,380 (2,380)	558,745 (558,745)
Amount due to Company as at 31.3.2005	152,677 (121,059)	Nil (-)	22,484 (19,790)	13,448 (12,067)	188,609 (152,916)
Amount due from Company as at 31.3.2005	615,730 (746,054)	Nil	1,364 (1,453)	Nil (-)	617,094 (747,507)
Sale of immovable Property	Nil	Nil (14,200)	Nil	Nil (24,706)	Nil (38,906)
Consideration Purchase of Business	Nil (36,489)	Nil	Nil	Nil	Nil (36,489)
Conversion & facilities used charges	Nil (51,899)	Nil	Nil	Nil	Nil (51,899)
Remuneration	Nil	4,651 (4,201)	Nil	Nil	4,651 (4,201)
Purchase of Fixed Asset	Nil (-)	Nil (-)	Nil (-)	1,239 (-)	1,239 (-)

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

30. Segment Reporting:

The Company has identified the reportable segments as Power Distribution, Electronics 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 000's)

	Particulars	Primary Segment			Others	Total
		Electronics	Rotating Machines Group	Power Distribution		
1	Segment Revenues					
	SALES	130,323 (108,842)	2,377,517 (1,653,085)	451,774 (217,316)	244,023 (181,463)	3,203,637 (2,160,751)
	Total	130,323 (108,842)	2,377,517 (1,653,085)	451,774 (217,316)	244,023 (181,463)	3,203,637 (2,160,751)
	Less: Inter segment revenues Net Sales / Income from operations	130,323 (108,842)	2,377,517 (1,653,085)	451,774 (217,361)	244,023 (181,463)	3,203,637 (2,160,751)
2	Segment Results: Profit (+) / Loss (-) Before Taxation and Interest	10,192 (-2,412)	(3,642)	33,109 (-7,621)	79,418 (53,961)	122,719 (47,570)
	Less: Interest					22,542 (27,663)
	Less: Depreciation & Amortisations					99,749 (66,374)
3	Unallocable Expenditure					71,264 (91,648)
4	Unallocable & Other Income					79,702 (95,130)
5.	Less: Tax					46 (594)
	Total Profit / (Loss)					8,820 (-42,391)
6	Segment Assets	69,506 (72,370)	226,399 (233,092)	590,236 (484,596)	121,132 (96,672)	1,007,273 (886,730)
7	Unallocable Assets					1,146,608 (1,362,876)
8	Segment Liabilities	34,551 (46,610)	2,717,74 (133,670)	138,644 (764,898)	70,839 (62,598)	515,808 (1,007,776)
9	Unallocable Liabilities					973,416 (508,111)
10	Capital Expenditure	475 (39)	- (-)	17,926 (341)	37 (318)	18,438 (698)

Note: The exports of the company are not a significant portion of its turnover. Accordingly, secondary segment information not been furnished.

31. Earnings per share :

(Rs. In 000's)

Particulars	31.03.2005 Rs. in 000's	31.03.2004 Rs. in 000's
BASIC E.P.S:		
Profit / (Loss) for the Reporting Period after Tax	8,820	(42,391)
Less: Preference Dividend including dividend tax	9,578	9,872
	<u>(758)</u>	<u>(52,263)</u>
Weighted No. of Equity Shares for Basic EPS	31,268,817	30,768,817
Basic EPS (Rs.)	(0.02)	(1.70)
DILUTED E.P.S:		
Profit / (Loss) for the Reporting Period after Tax	8,820	(42,391)
Less: Preference Dividend including dividend tax	9,578	9,872
	<u>(758)</u>	<u>(52,263)</u>
No. of Equity Shares for Diluted EPS	33,268,817	32,768,817
Diluted EPS (Rs.)	(0.02)	(1.59)

FIFTYEIGHTH ANNUAL REPORT 2004-2005

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.,)

SCHEDULE "N" (Contd.,)

Notes attached to and forming part of the Balance Sheet and Profit and Loss Account (Contd.,)

32. Deferred Tax Calculation:

Rs in 000's

	As at 31.03.2005	As at 31.03.2004
Liability relating to value of fixed assets	54,278	45,043
Asset relating to Disallowance and Unabsorbed depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	54,278	45,043
Net amount	Nil	Nil

33. During the year the company has made the provisions towards warranty claims from the customers towards sales, wage settlement arrears and leave encashment to the employees the details of the same are as under:

Particulars	Leave Encashment	Warranty Claims
Balance outstanding at the beginning of the year	2,181	2,305
Provision for the year (net)	501	1,500
Balance outstanding at the end of the year	2,682	3,805

34. 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.

35. Corresponding figures for the previous year have been regrouped and recast in order to be in conformity with current year's figures wherever necessary.

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

S. N. AGARWAL
Director

SHYAM RAMADHYANI
Partner

P.Y. MAHAJAN
Company Secretary

R.K. GUPTA
Vice President &
Chief Financial Officer

Bangalore

Date : 1st September, 2005

SCHEDULE FOR SSI AND ANCILLARY INDUSTRIES TO WHOM AMOUNTS IS OUTSTANDING FOR MORE THAN 30 DAYS

AB STAMPINGS
GEETHA ENGINEERING WORKS
REI COMPANY
ACETECH MACHINERY COMPONENTS
GIRIJA INDUSTRIES
S S INDUSTRIES
ADROIT SYSTEMS
GLASTRONIX
SAGAON ENERGY EQUIPMENT P LTD
ADVANCE COOLING SYSTEMS PVT LTD
HINDUSTAN ELECTRONIC COMPONENT
SAMRAJ ENGG.CONTROLS PVT LTD
AISHWARYA SELF HELP GROUP
INDY RUBBER INDUSTRIES
SCR WIRE PRODUCTS
ANSSONS RUBBER P LTD
INSTRANS ENGINEERING & MFG PVT. LTD.
SEQRONICS PVT. LTD.
ARCHAN INDUSTRIES
JOY INDUSTRIES
SHASHI KIRAN ENTERPRISES
ASHOK ENGINEERING WORKS
KALPA ELECTRICALS
SHREE GRAPHICS.
BRITE ENGINEERING
KAYNES TECHNOLOGY
SIDDHARTH ENTPEERPRISES
BROTHER ENTERPRISES
KHEDDA INSULATIONS SYSTEMS(P)LTD

SIDDHARTHA FILTERS,
CC ENTERPRISES
KINTECH ENTERPRISES
SINDHUMECH
CHAMUNDI ELECTRICAL STAMPINGS
KPC FLEXI TUBES
SPECIAL INSULATORS MFG CO.
CLASSIC WIRE INSULATIONS
KRIMPWELL ELECTRICALS
SUJAYA INDUSTRIES.
CONTROL DYNAMICS
LACHMAN ELETRONICS
SUMAN ENGINEERING CO
COPPER METAL CORPORATION
LAXMI ENTERPRISES
SUNVIR INDUSTRIES
CURVO ELECTRONICS
M.GANGADHARAIHAH ENTERPRISES
SUPRA ENGINEERING.
DATTARTAYA ENGINEERING WORKS
MANJUNTH ELECTRONICS
TECHNOPOLYMERS.
DELTA ELECTRONICS
MECHPROS
TEKNOFABS
DHANASRI ELECTRO SYSTEMS
METAL ARTS
TEXPERTECH INSULATIONS.

DHARM FABRICATORS
METAL CRAFTS
UNIVERSEA.
DOALL ENGINEERING
METAL PRESS
V R ENGINEERING WORKS.
ELTEK INSTRUMENTS & DEVICES
METALICA FABRICATORS
VAIBHAV ENTERPRISES
ENGINEERING PLASTICS
MYSORE NAILS & FASTNERS
VARSHA CABLES PVT LTD
ETCOR ENTERPRISES
NAVEEN ENGINEERING WORKS
VIMAN MULTIPLUG PVT LTD
FABWEL METAL CONTAINERS
PMH & SONS INDUSTRIES
WAVES TECHNOLOGY
FIBREGLASS MOULDING COMPANY
PRAGATI ENGINEERING WORKS
Y S K.
FORTRAN CIRKIT ELECTRONIC PVT
LTD
PRESS METALS
YESBEE VALVES P LTD
GAJANAN ENGINEERING WORKS,
PROTECH SYSTEM
ZEE SHAN PRECISION ENGINEERING4

KIRLOSKAR ELECTRIC COMPANY LTD.

SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2005

SCHEDULE "O"

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION NUMBER

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 STATE CODE

0	8
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BALANCE SHEET DATE

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

PUBLIC ISSUE <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			RIGHTS ISSUE <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L		
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BONUS ISSUE <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			PRIVATE PLACEMENT <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

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

TOTAL LIABILITIES <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>3</td><td>1</td><td>1</td><td>3</td><td>5</td><td>0</td></tr></table>	1	3	1	1	3	5	0	TOTAL ASSETS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>3</td><td>1</td><td>1</td><td>3</td><td>5</td><td>0</td></tr></table>	1	3	1	1	3	5	0
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1	3	1	1	3	5	0									
SOURCE OF FUNDS															
PAID UP CAPITAL <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>4</td><td>3</td><td>2</td><td>6</td><td>8</td><td>8</td></tr></table>		4	3	2	6	8	8	RESERVES & SURPLUS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>6</td><td>7</td><td>5</td><td>5</td><td>4</td><td>1</td></tr></table>		6	7	5	5	4	1
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	6	7	5	5	4	1									
SECURED LOANS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>0</td><td>1</td><td>0</td><td>0</td><td>1</td></tr></table>		2	0	1	0	0	1	UNSECURED LOANS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>1</td><td>2</td><td>0</td><td></td></tr></table>			2	1	2	0	
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		2	1	2	0										
APPLICATION OF FUNDS															
NET FIXED ASSETS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>2</td><td>7</td><td>4</td><td>6</td><td>6</td></tr></table>		1	2	7	4	6	6	CAPITAL IN PROGRESS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>5</td><td>8</td><td>6</td><td>6</td><td>6</td></tr></table>			5	8	6	6	6
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		5	8	6	6	6									
INVESTMENTS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>5</td><td>5</td><td>5</td><td>9</td><td>5</td><td>1</td></tr></table>		5	5	5	9	5	1	NET CURRENT ASSETS <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>2</td><td>5</td><td>6</td><td>9</td><td>5</td></tr></table>		1	2	5	6	9	5
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	1	2	5	6	9	5									
MISCELLANEOUS EXPENDITURE <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>7</td><td>8</td><td>8</td><td>2</td></tr></table>			7	7	8	8	2	ACCUMULATED LOSSES <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>6</td><td>5</td><td>6</td><td>9</td><td>0</td></tr></table>		3	6	5	6	9	0
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	3	6	5	6	9	0									

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

TURNOVER(Including other income) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>2</td><td>4</td><td>8</td><td>0</td><td>6</td><td>7</td></tr></table>	3	2	4	8	0	6	7	TOTAL EXPENDITURE <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>2</td><td>3</td><td>9</td><td>2</td><td>0</td><td>1</td></tr></table>	3	2	3	9	2	0	1
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PROFIT BEFORE TAX <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>8</td><td>6</td><td>6</td><td></td></tr></table>			8	8	6	6		PROFIT AFTER TAX <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>8</td><td>2</td><td>0</td><td></td></tr></table>			8	8	2	0	
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EARNING PER SHARE IN RS. (After Tax) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>(</td><td>0</td><td>.</td><td>0</td><td>2</td><td>)</td></tr></table>	(0	.	0	2)	DIVIDEND RATE % <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>		N	I	L				
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V. GENERIC NAMES OF PRINCIPLE PRODUCTS/SERVICES OF COMPANY

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PRODUCT DESCRIPTION	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>E</td><td>L</td><td>E</td><td>C</td><td>T</td><td>R</td><td>I</td><td>C</td><td>M</td><td>O</td><td>T</td><td>O</td><td>R</td><td>S</td></tr></table>	E	L	E	C	T	R	I	C	M	O	T	O	R	S
E	L	E	C	T	R	I	C	M	O	T	O	R	S		
ITEM CODE NO. (ITC CODE)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>5</td><td>.</td><td>0</td><td>1</td></tr></table>			8	5	.	0	1							
		8	5	.	0	1									
PRODUCT DESCRIPTION	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>A</td><td>C</td><td>M</td><td>A</td><td>C</td><td>H</td><td>I</td><td>N</td><td>E</td><td>S</td></tr></table>	A	C	M	A	C	H	I	N	E	S				
A	C	M	A	C	H	I	N	E	S						
ITEM CODE NO. (ITC CODE)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>5</td><td>.</td><td>0</td><td>1</td></tr></table>			8	5	.	0	1							
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PRODUCT DESCRIPTION	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>D</td><td>C</td><td>M</td><td>A</td><td>C</td><td>H</td><td>I</td><td>N</td><td>E</td><td>S</td></tr></table>	D	C	M	A	C	H	I	N	E	S				
D	C	M	A	C	H	I	N	E	S						

FIFTYEIGHTH ANNUAL REPORT 2004-2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
A CASH FLOW FROM OPERATION ACTIVITIES		
NET PROFIT /(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	8,866	(42,985)
DEPRECIATION (INCLUDING GOODWILL)	8,100	9,269
PROVISION FOR INVESTMENTS	(27,580)	
AMORTISATION & PROVISIONS	84,150	(40,286)
PROFIT FROM SALE OF FIXED ASSETS (NET)	(43,717)	(13,378)
PROFIT ON SALE OF INVESTMENTS	-	(14,446)
REMISSION OF LIABILITY	(23,412)	-
INTEREST AND DIVIDEND (NET)	16,183	25,356
	<u>13,724</u>	<u>(33,485)</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	22,590	(76,470)
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	(247,283)	(124,831)
INVENTORIES	800	(65,965)
TRADE & OTHER PAYABLES	45,313	471,238
	<u>(293,396)</u>	<u>280,442</u>
CASH GENERATED FROM OPERATIONS	(270,806)	203,972
INTEREST PAID	(22,898)	(27,722)
DIRECT TAXES PAID	(2,029)	(860)
	<u>(24,927)</u>	<u>(28,582)</u>
NET CASH FROM OPERATING ACTIVITIES	(295,733)	175,390
B CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(21,094)	(23,761)
SALE OF FIXED ASSETS	232,129	73,706
CAPITAL WORK IN PROGRESS	845	(252)
REDUCTION IN THE VALUE OF INVESTMENTS	27,580	35,059
INTEREST RECEIVED	6,349	2,144
DIVIDEND RECEIVED	10	163
NET CASH USED IN INVESTING ACTIVITIES	<u>245,819</u>	<u>87,059</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM TERM BORROWING		(1,688)
REMISSION OF LIABILITY	23,412	
REPAYMENT OF TERM BORROWINGS	(103,299)	(4,322)
DIVIDEND PAID	(801)	(623)
NET CASH USED IN FINANCING ACTIVITIES	<u>(80,688)</u>	<u>(6,633)</u>
D NET INCREASE IN CASH	(130,602)	255,816
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	348,375	92,559
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>217,773</u>	<u>348,375</u>
	(130,602)	255,816

As per our report of even date

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO.

Chartered Accountants

SHYAM RAMADHYANI

Partner

Bangalore

Date : 1st September, 2005

VIJAY R. KIRLOSAR

Chairman & Managing Director

P.Y. MAHAJAN

Company Secretary

S. N. AGARWAL

Director

R.K. GUPTA

*Vice President &
Chief Financial Officer*