



**KIRLOSKAR ELECTRIC COMPANY LTD.**

**100<sup>th</sup>**

**Annual Report**

Balance Sheet as on  
31<sup>st</sup> March, 2007 and  
Profit and Loss Account  
for the Year ended  
31<sup>st</sup> March, 2007

# KIRLOSKAR ELECTRIC COMPANY LTD.

BOARD OF DIRECTORS :

**Vijay R. Kirloskar**  
Chairman & Managing Director

**Lakshmanan A. S.**

**Agarwal S. N.**

**Anil Kumar Bhandari**

**Sarosh J. Ghandy**

**Mahendra V. P.**

**Kamlesh Gandhi**

**Mythili Balasubramanian**  
IDBI Nominee

**Ramesh D. Damle**  
LIC Nominee

**Malik P. S.**  
Joint Managing Director

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COMPANY SECRETARY : **P. Y. Mahajan**

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AUDITORS : **B.K.Ramadhyan & Co.**  
Bangalore

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BANKERS :

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

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REGISTERED OFFICE : Industrial Suburb, Rajajinagar  
Bangalore – 560 010

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FACTORIES : Belvadi Industrial Area, Mysore  
Gokul Road, Hubli

## FROM THE CHAIRMAN AND MANAGING DIRECTOR



Dear Shareholders,

2006 - 2007 saw the Indian economy growing at its fastest pace in last few years, with the Country's GDP at 9.4% in the fiscal year to March 31. The economists are buzzing with predictions that the Country shall be able to maintain this growth during the current year and the outlook for Asia's fourth-largest economy is upbeat.

The Ministry of Power is determined to ensure "Power for All" by 2012 through an integrated approach to tackle the power shortage in the country. The government plans to expedite work on infrastructure projects, especially in the power sector and requires an additional capacity of 1,00,000 MW to achieve its target by 2012.

The good growth in the Indian infrastructure and power sector, with a fairly strong prospect of its continuance, has augured well for your Company. Let me share with you some of the key financial results:

- \* Your Company's net turnover has increased by about 43% to Rs. 5913.96 million in 2006-07, or US\$ 147.85 million.
- \* The compounded annual growth rate (CAGR) of turnover for the last four years is 29.46%
- \* PAT grew by 324% to Rs. 174.94 million, or US\$ 4.37 million

We have set a new record high for the turnover achievement since 1996-97 and this has been possible due to the diligent efforts of our team and the support and assurance of our customers. These results are satisfactory considering the backdrop of the previous years' performances.

Your Company manufactures and deals with all major products required by the power and infrastructure industry. We have widened our product profile to meet with the varied and increasing demand of our customers. We have upgraded and integrated all our manufacturing facilities to improve our operational efficiencies and sharing of best practices. We are also improving our technology systems. We consider our employees to be one of our best assets. We are constantly working to enhance our employees' skills to meet the challenges of growing competition, higher customer expectations. With this backdrop, I am confident that in the years to come, your Company will be able to further consolidate its position as a key player in the Indian manufacturing industry.

I would like to take this opportunity to thank each team member of your Company for achieving these excellent results. With the enthusiasm and support of each of the employees, I am confident that your Company will see a better and brighter tomorrow.

With kind regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read "Vijay R. Kirloskar". The signature is fluid and cursive.

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

# KIRLOSKAR ELECTRIC COMPANY LTD.

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## NOTICE

NOTICE is hereby given that the SIXTIETH 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 30<sup>th</sup> August, 2007 at 10.00 A.M. to transact the following business:

1. To consider and adopt the Directors' Report, Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 together with the Auditors' Report thereon.
2. 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.
3. To appoint a Director in place of Mr. P. S. Malik, who retires by rotation. Being eligible, he has conveyed his intention in writing to seek re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration, M/s. B K Ramadhyani & Co., Chartered Accountants, Bangalore and M/s. Chari & Co., Chartered Accountants, Kuala Lumpur are the retiring Auditors.

## SPECIAL BUSINESS

5. To appoint a Director in place of Mr. V.P. Mahendra who was appointed by the Board as an Additional Director of the Company. He is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. V.P. Mahendra as a Director of the Company.
6. To appoint a Director in place of Mr. Kamlesh Gandhi who was appointed by the Board as an Additional Director of the Company. He is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. Kamlesh Gandhi as a Director of the Company.
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 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and Schedule XIII thereto and such approvals as may be required, the consent of the Company be and is hereby accorded to the appointment of Mr. P.S. Malik as Joint Managing Director of the Company from 25th June, 2007 till 9th October, 2009 without any remuneration from the Company.

RESOLVED FURTHER THAT pursuant to Article 160 of the Articles of Association of the Company read with section 255 of the Companies Act, 1956, Mr. P. S. Malik shall not be liable to retire by rotation so long as he continues as Joint Managing Director unless selected for retirement by rotation by Directors in terms of Article 160 of the Articles of Association of the Company so as to meet the requirements of Section 255 of the Companies Act, 1956.

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 section 314 and other applicable provisions, if any, of the Companies Act, 1956, sanction of the Company be and is hereby accorded to Mr. P. S. Malik, Joint Managing Director of the Company to continue to act as President & Chief Executive Officer of Kaytee Switchgear Limited, a subsidiary of the Company on a remuneration of Rs.3,60,000 per month from 1-6-2007 together with other allowances and benefits, amenities and facilities including staff superannuation fund, gratuity, provident fund as applicable to his cadre as per the Rules of that company but without any remuneration from Kirloskar Electric Company Limited.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as it may in its absolute discretion deem fit for the purpose of giving effect to the above resolution.

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

Place : Bangalore,  
Date : 25<sup>th</sup> June, 2007

**P. Y. Mahajan**  
AVP & 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 year up to 31.3.1998 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. S. N. Agarwal, aged 62 years, a graduate engineer and an alumni of Harvard Business School (AMP- 1985) is the Chairman of Boruka Group. Boruka Group has diversified interests in the Power, Gas, Steel, Hydel Projects, Transportation etc. Mr. Agarwal is a Member of Executive Committee – Federation of Indian Chambers of Commerce & Industry (FICCI); Member, Management Board – Indian Institute of Health Management & Research, (IIHMR), Jaipur; Member, Court – Indian Institute of Science and Member, Board of Governors – Indian Institute of Management, Bangalore. Mr. S.N. Agarwal has served as Chairman of Steel Furnace Association of India; Confederation of Indian Industry (CII), Karnataka Region and Greater Mysore Chamber of Industry (GMCI).

Mr. S.N. Agarwal is holding 500 equity shares of Rs.10/- each of the Company.

He is a Director of the following companies:

Bhuruka Gases Limited	Bhoruka Power Corporation Limited
Transport Corporation of India Limited	Iruppu Power Private Limited
TCI Industries Limited	Bhoruka Healthcare Pvt. Ltd.

2. Mr. P. S. Malik, who is 61 years of age, joined the Company as Corporate Vice President in February 1997. He was later promoted as President in October 2000. Prior to his appointment in Kirloskar Electric Company Limited, he was working as Vice President in Indian Lead Limited, Mumbai. He was elevated to the position of Deputy Managing Director from 10<sup>th</sup> October, 2001 and has been made Joint Managing Director from 25<sup>th</sup> June, 2007.

Mr. Malik is holding 750 equity shares of the Company.

He is a Director of the following companies:

Kirloskar Power Equipments Ltd.	KEASIROBICON Industrial Systems Pvt. Ltd.
Best Trading & Agencies Limited.	Kirloskar Computer Services Limited.
Kirsons Trading Pte. Ltd.	

3. Mr.V.P. Mahendra, an engineering graduate, is 64 years old. He joined VST Tillers Tractors Limited in the year 1968. He had training for a period of five months in the manufacture of Power Tillers in the Kyoto and Nagoya plants of Mitsubishi Heavy Industries Limited, Japan. He worked in various capacities through the years and was appointed as Deputy Managing Director of the Company in February, 1984. He was elevated to the position of Managing Director in 1989 which post he holds to date. Besides being on the Board of several companies he is also member of several philanthropic institutions.

Mr. Mahendra is holding 2553 equity shares of the Company.

He is a Director of the following companies:

Lakshmi Ring Travellers Ltd.	VST Tillers Tractors Limited
GOVE Inv & Finance Co.Ltd	Hotel Pearls (Pvt) Ltd.
Cholamandalam Inv.& Finance Co.Ltd.	Pearls Estate Pvt.Ltd
VST Motors Ltd.	VST & Sons Private Ltd.
V.P.Mahendra Bros.Inv.Pvt.Ltd.	VST Auto Parts Pvt.Ltd.

4. Mr. Kamlash Gandhi, a Commerce Graduate, who is 57 years of age is associated with Capital and Financial Markets in India for the past 35 years and was member of the BSE for 14 years from 1981 to 1995. He was a Director on the Board of Association of Merchant Bankers of India for 4 years from inception of the association. As a Merchant Banker, he is instrumental in raising funds for over 300 capital issues and is involved in placement of equities of several companies with retail, high net worth and Institutional Investors, both domestic and overseas.

He was the Guest Speaker at Training Institutes of Banks and Bankers Training College of RBI, on Merchant Banking Activities. He was a Non Executive Director of Several Companies including Dr. Reddy's Group and Rasi Group. He is involved in advising several NRO investors including many high net worth NRI's.

He is a Director of the following companies:

Religare Capital Markets Limited	Priyadarshini Spinning Mills Limited
Religare Securities Limited	Bhayanagar India Limited
Bombay Swadeshi Stores Limited	Lalbawa Investment and Trading Co.Private Limited

- j. The share transfer books and Register of Members of the Company will remain closed from 21st August, 2007 to 30th August, 2007 (both days inclusive).

**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 mentioned in the accompanying notice of the Annual General Meeting of the Company.

**1. ITEM NO. 5 OF THE NOTICE**

Pursuant to Article 153 of the Articles of Association of the Company Mr. V.P. Mahendra was appointed by the Board of Directors as an Additional Director of the Company effective from 25.06.2007. He holds office up to the date of the Annual General Meeting and is eligible for appointment. The member who has given notice proposing the candidature of Mr. V.P. Mahendra as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mr. V.P. Mahendra, who is interested in the Resolution, as the same relates to his appointment, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

**2. ITEM NO. 6 OF THE NOTICE**

Pursuant to Article 153 of the Articles of Association of the Company Mr. Kamlesh Gandhi was appointed by the Board of Directors as an Additional Director of the Company effective from 25.06.2007. He holds office up to the date of the Annual General Meeting and is eligible for appointment. The member who has given notice proposing the candidature of Mr. Kamlesh Gandhi as a Director has complied with the requirements of Section 257 of the Companies Act, 1956.

Except Mr. Kamlesh Gandhi, who is interested in the Resolution, as the same relates to his appointment, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

**3. ITEM NO.7 OF THE NOTICE**

The shareholders of the Company at their meeting held on 28<sup>th</sup> September, 2006 appointed Mr. P. S. Malik as the Dy. Managing Director of the Company for a period of three years w.e.f. 10<sup>th</sup> October, 2006 i.e. upto 9<sup>th</sup> October, 2009. Considering the increased responsibility that is being placed on him, and his role and contribution in the progress and development of the Company, the Board of Directors of the Company have at their meeting held on 25<sup>th</sup> June, 2007 elevated him to the position of Joint Managing Director. Mr. Malik is also President and Chief Executive Officer of Kaytee Switchgear Limited, a subsidiary of the Company. Mr. Malik does not and will not get any remuneration in Kirloskar Electric Company Limited. He has been getting remuneration from Kaytee Switchgear Limited only and will continue to get paid in Kaytee Switchgear Limited only. Mr. Malik's contribution to the growth of Kirloskar Electric Company Limited and Kaytee Switchgear Limited is immense and valuable.

Except Mr. Malik, who is interested in the Resolution, as the same relates to his appointment, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

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

**4. ITEM NO.8 OF THE NOTICE**

Mr. P. S. Malik, Joint Managing Director of the Company has been appointed as President and Chief Executive Officer of Kaytee Switchgear Limited, a subsidiary company with effect from 1.4.2003, from which date Mr. Malik is not drawing any remuneration in Kirloskar Electric Company Limited (KEC) and he has been drawing remuneration from Kaytee Switchgear Limited only. The remuneration payable to Mr. Malik has been revised by Kaytee Switchgear Limited with effect from 1.6.2007. The revised remuneration payable to Mr. Malik is :

- a. A consolidated salary of Rs. 3,60,000 per month;
- b. Rent free furnished accommodation from the Company;  
Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962 which shall be included in computing the remuneration;
- c. Medical Reimbursement : Reimbursement of expenses incurred for the appointee and the family subject to ceiling of the amount admissible under the Income Tax Act for purposes of exemption from time to time which is presently at Rs.15,000 per annum;
- d. Leave Travel Concession : For the appointee and his family, once in a year incurred in accordance with rules specified by the Company or limited to one month's salary viz., Rs. 3,60,000/-;
- e. Personal Accident Insurance: Premium not exceeding Rs.4,000/- per annum;
- f. Provision of car for use on Company's business and telephone and communication facilities at his residence for Company's business;
- g. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- h. Gratuity payable at a rate of half-a-month's salary for each completed year of service;
- i. Encashment of leave at the end of the tenure.
- j. Leave and other benefits as admissible to other Executives of the Company from time to time.

Since Kaytee Switchgear Limited is a subsidiary of the Company, approval as provided for u/s 314 is being sought.

Except Mr. Malik, who is interested in the Resolution, none of the other Directors is in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for approval by the members.

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

**P. Y. Mahajan**

AVP & Company Secretary

Place : Bangalore,

Date : 25<sup>th</sup> June, 2007

**DIRECTORS' REPORT**  
TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2007

To  
The Shareholders

Your Directors present the Company's 60<sup>th</sup> Annual Report with the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007.

**RESULTS OF OPERATIONS**

	Rs. in million	
	<b>2006-07</b>	2005-06
Income	<b>5913.9</b>	4140.2
Expenditure	<b>5309.3</b>	3755.7
<b>Gross Profit</b>	<b>604.6</b>	384.5
Operating expenses	<b>288.7</b>	259.7
<b>Operating Profit before interest and depreciation</b>	<b>315.9</b>	124.8
Interest	<b>33.9</b>	18.0
Depreciation, amortisation and provisions	<b>123.3</b>	63.8
Operating profit before tax and extraordinary items	<b>158.7</b>	43.00
Other income (net)	<b>24.9</b>	28.9
<b>Net profit before tax and extraordinary items</b>	<b>183.6</b>	71.9
Extraordinary Income / (Expenditure).	<b>7.8</b>	(26.6)
<b>Net profit before tax and after extraordinary items</b>	<b>191.4</b>	45.3
Provision for taxation	<b>16.5</b>	4.0
<b>Net profit after tax and after extraordinary items</b>	<b>174.9</b>	41.3

COMPANY PERFORMANCE

During the year under report, your Company has achieved a turnover (Gross) of Rs.6.19 billion (previous year Rs. 4.28 billion). The operations have resulted in a net profit of Rs. 174.95 million (previous year Rs.41.30 million).

INDUSTRY OUTLOOK

The Government of India have set up an ambitious mission of "Power for all by 2012". The 11<sup>th</sup> Plan envisages additional capacity of 60000 MW, which will require considerable supply support from the Electrical Industry. The Industry grew at an average rate of about 30% during the last couple of years and is expected to continue its momentum in the near future. The Company manufactures and deals in major products of Electrical Industry. The Company is a major player in the Electrical Industry and has a very good brand image. It has a large and established network of dealers. The Company has taken various steps to improve its operational efficiency to be more competitive. In the situation, the Company expects to fare well in the current year, barring unforeseen circumstances.

APPROPRIATIONS

**DIVIDEND**

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

SUBSIDIARIES

Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary company Kaytee Switchgear Limited for the year ended 31<sup>st</sup> March, 2007 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. The business of the company's subsidiary KEC North America, INC, USA has been closed.

KAYTEE SWITCHGEAR LIMITED

Kaytee Switchgear Limited, your subsidiary has achieved a turnover (Gross) of Rs.3.82 billion as against Rs. 2.81 billion in the previous year, showing a growth of about 35%. The operations have resulted in a net profit of Rs. 141.21 million during the year as against Rs. 0.78 million in the previous year.

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.



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# KIRLOSKAR ELECTRIC COMPANY LTD.

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## 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.
3. Auditors Certificate regarding compliance of conditions of Corporate Governance.
4. CEO & CFO Certificate.
5. CEO Certificate regarding compliance with the Code of Conduct.

These annexures form part of this report.

## DIRECTORS

Mr. S.N.Agarwal and Mr. P. S. Malik retire by rotation and being eligible offer themselves for re-appointment. The Board has appointed Mr. V.P.Mahendra and Mr. Kamlesh Gandhi as Additional Directors of the Company at their meeting held on 25<sup>th</sup> June, 2007. Mr. V.P.Mahendra and Mr. Kamlesh Gandhi hold office upto the date of the Annual General Meeting and have been proposed for appointment.

Considering the increasing responsibilities being placed on him and his contribution to the progress and development of the Company the Board has elevated Mr.PS.Malik, to the position of Joint Managing Director from 25<sup>th</sup> June, 2007, subject to necessary approvals.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2007 and of the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

## HUMAN RESOURCES

The Company considers its employees as its most valuable asset. The Company focuses on building an organization through induction and development of talent to meet current and future needs. A performance management system is in place to facilitate individual and team development for better performance and higher yield. In order to attract and retain talent, the Company is striving to maintain the compensation structure on par with the industry. We continue to make efforts to provide people with an environment in which they can give their best and realise their full potential. Steps are being taken to address the issue of attrition and retaining of talent through a proper system of reward and recognition.

## QUALITY

The quality policy of Kirloskar Electric Company is to design, manufacture and market, at competitive prices, products of such quality which result in customer satisfaction, quality reputation and market leadership. The Company strives to continuously innovate and improve its products and to ensure that we develop products of highest quality that required by the market. We have stringent systems in place to ensure that quality is maintained in all areas and at all levels of operations. Your Company has extended its efforts in quality improvement to its authorised service centres as well by inviting them to the Company's manufacturing facilities and sharing first hand knowledge regarding manufacturing processes.

## PERFORMANCE OF BUSINESS DIVISIONS

### TRANSFORMERS

During the year under review the sales of transformers amounted to Rs. 1031.4 million as against Rs. 558 million, registering an increase of over 85%.

### ELECTRONICS AND SWITCHGEAR

During the year under review the sales of electronics and switchgear amounted to Rs. 531.7 million as against Rs. 396.3 million, registering an increase of over 34%.

### PROJECTS & SYSTEMS

During the year under review the sales of Projects and Systems Group amounted to Rs. 138 million as against Rs. 68.51 million, registering an increase of over 101%.



## SIXTIETH ANNUAL REPORT 2006 -2007

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

#### Para 8 of the Auditors' Report

The Company's policy is to account every income/expenditure during the year itself, only exceptional items have been left out. Compared to the volume of the business of the Company, it is insignificant and has no impact on the accounts. Action has been taken to implement the AS 5 (Prior Period Items) which will be implemented during the year.

#### Para 10 of the Auditors' Report.

- a) Due to some procedural formalities only one Bank has not bifurcated the accounts as per the Scheme. The Company is in touch with the Bank, and it is expected to give effect during this financial year. The Company has, however, given effect to the scheme as sanctioned by the Hon'ble High Court.
- b) As mentioned in Note 21 the Company is confident of realising the acquisition cost of investments and amounts due from certain companies referred to therein.

#### Para 1b of Annexure to the Auditors Report

A renowned firm of Chartered Accountants has been entrusted this job and it is expected to complete the balance work shortly. Action as may be necessary will be initiated thereafter.

#### Para 2 a of Annexure to the Auditors Report

We have formed team in each unit to follow up with suppliers/customers for the materials lying with them. The team expected to complete the remaining job shortly and the action as may be necessary will be initiated thereafter.

#### Para 9(b) of Annexure to the Auditors Report

The Company is making all efforts to pay all statutory dues intime, however, there are delays in payment of some of the statutory dues . With the improvement in the liquidity position the Company will ensure to pay the statutory dues on due dates.

### AUDITORS

M/s. B. K. Ramadhyani & 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. Ramadhyani & Co., and M/s. Chari & Co.

### FIXED DEPOSITS

31 persons had not claimed repayment of their matured deposits amounting to Rs. 4.78 lakhs as at 31<sup>st</sup> March, 2007.

### ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation of the efforts of the employees for the progress of the Company. They would like to place on record their thanks to the Bankers and Financial Institutions for the assistance provided to the Company and also to the shareholders for their continued support.

For and on behalf of the Board of Directors

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman & Managing Director

**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.
  - 4) Monitoring of energy consumption and further requisite follow-up
- b) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production of goods.  
The measures taken by the Company have resulted in optimum usage of energy in terms of units, reducing costs.
- c) Total energy consumption and energy consumption per unit of production - Not Applicable

**B. TECHNOLOGY ABSORPTION**

1. Research and Development  
Research and Development is undertaken for extending the range of the existing products, lowering costs and process improvements. Indigenisation or alternate sourcing of materials, development of energy efficient 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.
  - f. Product range extension to reach newer markets.
3. Future plan of action :  
To enhance product performance and for better customer satisfaction, the Company will continue in :-
  - a. Upgradation of existing technology.
  - b. 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	2.0
Total	<u>2.0</u>
Total R & D Expenditure	2.0
as a % of total turnover	-

5. **TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- a. Efforts made in brief for technology absorption, adaptation and innovation.
  - Training of personnel in-house.
  - Indigenisation of Materials, components and processes.
  - Modification of imported technology to suit the prevailing Indian Market.
- b. Benefits derived as a result of the above efforts
  - Enhanced Product Range
  - Import substitution
  - Quality improvement
  - Development of new Products
- c. Future Plan of Action
  - upgradation of existing technology
  - Development of new processes
- d. Technology imported during the last 5 years.

A. Technology Imported - Nil

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

C. Foreign Exchange Earnings and Outgo

1. The details of foreign exchange earnings and outgo are given below,

	(Rs. in 000's)
(i) FOB value of goods exported (net) inclusive of sales within India eligible for export incentives.	1,76,243
(ii) Dividend on shares (net of tax)	Nil
(iii) Repatriation of Profit	NIL
(iv) Others	9,480

2. Value of imports calculated on the CIF basis.

(i) Raw materials & Components and spare parts.	42,643
(ii) Capital Goods	1,821

For and on behalf of the Board of Directors

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman & Managing Director

**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 ten Directors out of which two are Executive Directors and eight Non - Executive – Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 80.

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

During the financial year, five Board Meetings were held. The meetings were held on 26.4.2006, 25.7.2006, 28.9.2006, 26.10.2006 and 26.2.2007.

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

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other directorships @	No. of other committee memberships
1.	Mr. Vijay R. Kirloskar	Executive-Chairman and Managing Director - Promoter	5	Yes	8	Member - 1
2.	Mr. A. S. Lakshmanan	Non- Executive Independent Director	5	Yes	5	Chairman - 3 Member - 4
3.	Mr. S.N. Agarwal	Non- Executive Independent Director	3	No	4	Member - 2
4.	Mr. Anil Kumar Bhandari	Non- Executive Independent Director	4	No	3	Chairman - 1
5.	Mr. Sarosh J Ghandy	Non- Executive Independent Director	4	Yes	7	Chairman - 1 Member - 2
6.	Mrs. Mythili Balasubramanian	Non- Executive Independent Director Nominee Director- IDBI	3	Yes	-	-
7.	Mr. Ramesh D Damle	Non- Executive Independent Director Nominee Director- LIC	3	No	-	-
8.	Mr. P.S. Malik	Executive-Joint Managing Director	5	Yes	3	-
9.	Mr. V. P. Mahendra #	Non- Executive Independent Director	-	NA	5	Chairman - 2 Member - 1
10.	Mr. Kamlesh Gandhi #	Non- Executive Independent Director	-	NA	5	Member - 1
11.	Mr. D.R. Venkatesha Murthy*	Executive Whole-time Director	2	Yes	2	-NA-

\* since ceased to be a Director of the Company w.e.f.10.10.2006

# Appointed w.e.f. 25.06.2007

@ as on 25.6.2007 – and Directorships held in other Public Limited Companies only .

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

**AUDIT COMMITTEE**

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

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

During the financial year, the Committee met on 26.4.2006, 6.6.2006, 25.7.2006, 26.10.2006, 18.1.2007 and 26.2.2007.

## 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	5	Chairman
Mr. Anil Kumar Bhandari	6	Member
Mr. Sarosh J Ghandy	3	Member
Mr. A.S.Lakshmanan	6	Member

Mr. A.S. Lakshmanan was appointed Chairman of the Audit Committee on 21-09-2006 who was present in the Annual General Meeting held on 28-09-2006.

The Committee has been reconstituted w.e.f. 25-6-2007 and Mr. V. P. Mahendra has been inducted as a Member of the Committee.

### SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 21.12.2006 and reviewed the status of shareholders' grievances, approved share transfers, etc.

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

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

Name of Director	No. of Meetings Attended	
Mr. Anil Kumar Bhandari	1	Chairman
Mr. Vijay R Kirloskar	1	Member
Mr. P.S.Malik	1	Member

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

### REMUNERATION COMMITTEE

The Remuneration Committee consists of following Directors : -

Mr. S.N.Agarwal	- Chairman	Mr. Sarosh J. Ghandy	- Member
Mr. A.S.Lakshmanan	- Member	Mr. Ramesh D Damle	- Member
Mr. Anil Kumar Bhandari	- Member		

During the year under review, the Committee met on 26.4.2006, 6.6.2006 and 25.7.2006

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

Name of Director	No. of Meetings Attended	
Mr.S.N.Agarwal	3	Chairman
Mr. A.S.Lakshmanan	1	Member
Mr. Anil Kumar Bhandari	3	Member
Mr.Sarosh J. Ghandy	1	Member
Mr.Ramesh D. Damle	1	Member

Mr. Ramesh D Damle and Mr.A.S.Lakshmanan joined the Committee from 6.6.2006 and 25.7.2006 respectively.

### 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 31.3.2007 was 363.

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

### EXECUTIVE DIRECTORS

Rs. in Lakhs

Name	Salary	Contribution to PF and other Funds	Total Amount
MR. VIJAY R. KIRLOSKAR Chairman & Managing Director	38.35	9.22	47.57*
MR. P.S.MALIK ** Joint Managing Director	-	-	-
MR. D.R.VENKATESHA MURTHY*** Director (Sales & Marketing)	9.99	1.33	11.32

\* Includes Rs. 12,382 pertaining to 2005-06.

\*\* 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). He is a Joint Managing Director w.e.f. 25th June, 2007

\*\*\* Mr. D.R.Venkatesha Murthy ceased to be director w.e.f.10.10.2006

The Managing Director has been appointed for a period of 5 years w.e.f. 17<sup>th</sup> 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.

Mr. P.S.Malik has been appointed for a period of three years with effect from 10.10.2006 and the appointment is terminable by either party by giving one month's notice to the other.

Severance compensation of one month's salary is payable to Mr. Malik. if his office is terminated before the contractual period.

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### NON EXECUTIVE DIRECTORS

Name of the Director	Fees paid for attending Board / Committee Meetings Rs.
Mr. S.N.Agarwal	39000
Mr.A.S.Lakshmanan	46000
Mr. Anil Kumar Bhandari	50000
Mr.Sarosh J Ghandy	32000
Mrs. Mythili Balasubramanian*	15000
Mr.Ramesh D Damle	18000

\* Fees paid to IDBI

### SHAREHOLDINGS OF NON EXECUTIVE DIRECTORS AS ON 31.3.2007

Non Executive Directors	Shareholding - No. of Shares
Mr.A.S.Lakshmanan	19909
Mr. S.N.Agarwal	500
Mr.Anil Kumar Bhandari	500
Mr.Sarosh J. Ghandy	615
Mrs. Mythili Balasubramanian	Nil
Mr.Ramesh D. Damle	500

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

### CODE OF CONDUCT

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

### DECLARATION PERTAINING TO COMPLIANCE WITH THE CODE OF CONDUCT OF THE COMPANY

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for the year 2006-07.

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman & Managing Director

### General Body Meetings

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

AGM	YEAR	VENUE	DATE	TIME
57 <sup>TH</sup>	Apr 2003-Mar 2004	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	29.9.2004	10.00 A M
58 <sup>TH</sup>	Apr 2004-Mar 2005	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	29.9.2005	10.00 A M
59 <sup>TH</sup>	Apr 2005-Mar 2006	Chowdaiah Memorial Hall Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	28.9.2006	10.00 A M

Special Resolutions passed in the previous three Annual General meetings :

YEAR	SPECIAL RESOLUTION
2003-04	<ol style="list-style-type: none"> <li>1. Appointment of M/s. B.K.Ramadhyanani &amp; Co. Chartered Accountants, Bangalore as Auditors of the Company.</li> <li>2. Appointment of M/s. Chari &amp; Co., Chartered Accountants, Kuala Lumpur, Malaysia as auditors of the Company's Sales Office at Malaysia.</li> <li>3. Appointment of Ms. Janaki Kirloskar, daughter of a Director to hold an office or place of profit under the Company.</li> <li>4. Approval for appointment of Mr. P.S.Malik, Dy.Managing Director of the Company to hold an office of profit in Kaytee Switchgear Limited, a subsidiary company.</li> <li>5. Investment in equity capital of Kaytee Switchgear Limited, a subsidiary company.</li> </ol>
2004-05	<ol style="list-style-type: none"> <li>1. Appointment of M/s. B.K.Ramadhyanani &amp; Co. Chartered Accountants, Bangalore as Auditors of the Company.</li> <li>2. Appointment of M/s. Chari &amp; Co., Chartered Accountants, Kuala Lumpur, Malaysia as auditors of the Company's Sales Office at Malaysia.</li> <li>3. Re-appointment of Mr.D.R.Venkatesha Murthy as a whole-time Director for a period of one year from 10.10.2005.</li> <li>4. Re-appointment of Mr. Vijay R. Kirloskar as Managing Director for a period of five years w.e.f. 17.8.2005.</li> <li>5. Appointment of Ms. Janaki Kirloskar, Daughter of a Director to hold an office or place of profit under the Company</li> </ol>
2005-06	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr.P.S.Malik as a whole-time Director for a period of three years w.e.f.10.10.2006</li> <li>2. Approval for payment of remuneration to Mr.P.S.Malik, Dy.Managing Director of the Company from Kaytee Switchgear Limited, a subsidiary company.</li> </ol>

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

## DISCLOSURES

### Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Audit Committee reviews periodically related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others, that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 26 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

### ACCOUNTING TREATMENT

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

### RISK MANAGEMENT

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

### UTILISATION OF PUBLIC ISSUE PROCEEDS

The Company has not raised any money through any issue.

### DETAILS OF NON-COMPLIANCE

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

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

#### COMPLIANCE WITH CLAUSE 49

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

#### REMUNERATION COMMITTEE

A Remuneration Committee has been constituted, the details whereof have been provided earlier in the Report. Some of the non mandatory requirements are not being followed for the reasons given against the requirements as follows :-

#### CHAIRMAN'S OFFICE

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

#### SHAREHOLDER RIGHTS

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

#### TRAINING OF BOARD MEMBERS

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

#### WHISTLE BLOWER POLICY

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

#### **Means of Communication**

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

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

Information about the Company in general and its financial results can be accessed at the Company's website [www.kirloskar-electric.com](http://www.kirloskar-electric.com). Management Discussion and Analysis Report forms part of the Annual Report.

#### **Shareholders' Information**

##### **ANNUAL GENERAL MEETING**

Date : 30th August, 2007  
Time : 10.00 A.M.  
Venue : Chowdiah Memorial Hall  
Gayathri Devi Park Extension  
Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2006 to 31st March, 2007

#### **Financial Calendar**

Un-audited Results for the quarter ended	Approved on	Published in
30.6.2006	25.07.2006	Business Standard Samyuktha Karnataka
30.09.2006	26.10.2006	Business Standard Samyuktha Karnataka
31.12.2006	18.01.2007	Business Standard Samyuktha Karnataka
31.03.2007	25.06.2007	Business Standard Samyuktha Karnataka

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Financial Calendar for the period till 31.3.2008 is as given below:

- Un-audited results for the quarter ending June, 2007 : Last week of July, 2007  
 Un-audited results for the quarter ending September, 2007 : Last week of October, 2007.  
 Un-audited results for the quarter ending December, 2007 : Last week of January, 2008.  
 Un-audited results for the quarter ending March, 2008 : Last week of April , 2008, unless the Company decides to publish audited results as per Listing Agreements.

**Date of Book Closure** : Tuesday, August 21, 2007 to Thursday, August 30, 2007.

**Dividend Payment Date** : The Company has not declared any dividend for the financial year 2006-07.

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

The shares of the Company are also traded on the IndoNext Platform of Bombay Stock Exchange Ltd.

**Stock Code** : Bangalore Stock Exchange Ltd. – KIRELECTRI  
 Madras Stock Exchange Ltd. –KRL  
 Bombay Stock Exchange Ltd. - 590052

**ISIN Number** : INE 134B01017

The listing fees for 2007-2008 have been paid to both the Stock Exchanges where the shares are listed.

With reference to new clause 47(f) of the Listing Agreement, Company has designated exclusive e-mail ID as kecshares@vrkec.com for investors to register their grievances, if any. This has been initiated by the Company to resolve such investors' grievances, immediately. The Company has displayed the said e-mail ID on its website for the use of investors.

### MARKET PRICE DATA

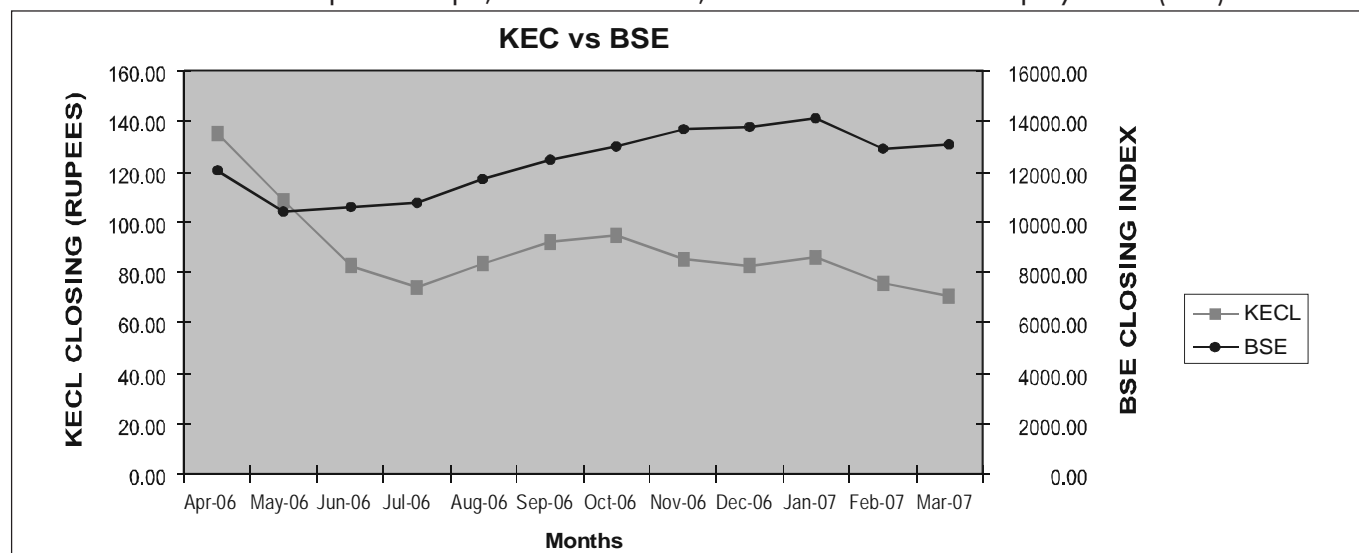
During the year under review there was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited where the shares are listed.

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

MONTH	MONTHLY HIGH (RS.)	MONTHLY LOW (RS.)	MONTHLY VOLUME ( NOS.)
April, 2006	149.00	123.60	5423820
May, 2006	157.90	103.00	5723681
June, 2006	111.85	70.20	1838410
July, 2006	110.25	68.50	6197565
August, 2006	95.35	72.00	3823220
September, 2006	97.90	74.70	3335020
October, 2006	103.90	89.50	3164827
November, 2006	98.50	84.25	1399624
December, 2006	92.70	75.00	701185
January, 2007	99.90	80.00	1696955
February, 2007	94.90	72.25	923462
March, 2007	81.80	68.10	929061

### SHARE PRICE MOVEMENTS

Share Price Movements for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007 of Kirloskar Electric Company Limited (KECL) vs BSE Sensex





# KIRLOSKAR ELECTRIC COMPANY LTD.

## 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 10<sup>th</sup> Cross, 5<sup>th</sup> 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 31.3.2007. The number of physical transfers pending as on 31.3.2007 was 21 transfer applications for 17597 shares and the number of dematerialisation requests pending was 41 for 4195 shares. The transfers have been duly dealt with thereafter. The Company has not rematerialised the shares during the year.

## DISTRIBUTION OF SHAREHOLDING AS ON 31-03-2007

SHAREHOLDING RANGE	NO OF SHARE HOLDERS IN DEMAT FORM	NO OF SHARES	NO OF SHARE HOLDERS PHYSICAL FORM	NO OF SHARES	TOTAL SHARE HOLDERS	%	NO OF SHARES	% OF SHARE HOLDINGS
1-500	15825	2000872	26680	944409	42505	93.80	2945281	9.42
501-1000	887	721564	389	378000	1276	3.04	1099564	3.52
1001-2000	423	637418	195	348000	618	1.49	985418	3.15
2001-3000	149	378244	68	198000	217	0.59	576244	1.84
3001-4000	68	240896	38	135000	106	0.27	375896	1.20
4001-5000	75	358265	20	108000	95	0.25	466265	1.49
5001-10000	90	674158	22	292652	112	0.29	966810	3.09
10001 & ABOVE	78	21748416	6	2104923	84	0.27	23853339	76.29
<b>TOTAL</b>	<b>17595</b>	<b>26759833</b>	<b>27418</b>	<b>4508984</b>	<b>45013</b>	<b>100.00</b>	<b>31268817</b>	<b>100.00</b>

## PATTERN OF EQUITY SHAREHOLDING AS ON 31.3.2007

Category	No. of Shares held	Percentage of Shareholding
Promoters	13569514	43.40
Mutual Funds and UTI	–	–
Banks, Financial Institutions	4257938	13.62
Foreign Investment Institutions	2692154	8.61
Private Corporate Bodies	1002303	3.20
Indian Public	7764488	24.83
NRIs/OCBs	1982420	6.34
<b>TOTAL</b>	<b>31268817</b>	<b>100.00</b>

## DEMATERIALISATION OF SHARES

The paid up equity capital of the Company as on 31.3.2007 was Rs. 31,26,88,170 (31268817 shares of Rs.10/- each). Out of the total equity paid up share capital of Rs.31,26,88,170, 2,67,59,833 equity shares representing 85.38% of the Equity Capital were held in dematerialised form as on 31.3.2007.

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Shareholders complaints received during the period 1.4.2006 to 31.3.2007.

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters of complaints regarding Dividend (Non -receipt of Dividend Correction in Bank details etc.)	2	2	-
Letters of Non receipt of Annual Reports	6	6	-
Change of Address and Bank Details	2	2	-
Letters or Complaints regarding shares (Non-receipt of shares after transfer/ transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	50	50	-
Complaints regarding Dematerialisation/ Re-materialisation /Rejection	30	30	-
Miscellaneous Letters or complaints received other than above categories.	7	7	-

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

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

### **INSIDER TRADING**

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

### **PLANT LOCATIONS**

Mysore	Hubli
Belvadi Industrial Area,	Gokul Road,
Mysore 570 018	Hubli -580 030

### **ADDRESS FOR CORRESPONDENCES**

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

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

The Company has a system of internal control which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditors 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.Ramadhyan & Co., Chartered Accountants and have been reviewed by and discussed in the Audit Committee.

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

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

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **INDUSTRY**

Your Company is engaged in Electrical Industry which has various groups such as Rotating Machines Group, Static Equipments Group, Switchgears Group, Transformers Group, Capacitors Group, Transmission Lines Group, etc., Each product group is having its different products within its broad range. The industry is further divided into Organised Sector and Unorganised Sector. Your Company manufactures and deals in major products of the industry and the business of the Company can be divided into three major segments i.e. Power Generation and distribution, Trading of Rotating Machines and others.

#### **OPPORTUNITIES**

The Indian Economy has been growing at an average rate of 8% for the last three financial years and it calls for similar growth in Infrastructure and Power Sector. Generally the growth rate of demand for power is higher than GDP growth in developing countries and India is not an exception. The Government of India have set up an ambitious mission of "Power for all by 2012". Your Company manufactures and deals in major products of Electrical Industry. Capacity expansions in the user industries/newer investments in the user industries and higher use of electrical power augur well for the industry. There is sustained demand for the Company's products. The stress of the Company on quality maintenance at any cost and the Kirloskar Electric brand equity stand us in good stead. We are increasing capacity at our Transformer Unit, Mysore. The production at Kaytee Switchgear's unit at Govenahalli has now stabilised and is increasing. The quality, reliability of our

# KIRLOSKAR ELECTRIC COMPANY LTD.

products, and good after sale service and countrywide network of sales and service and with our products having approval of all major consultants will help us, as in the past, in continue getting a good share of the industry.

## THREATS

Occasional delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. The industry is becoming highly competitive. Though the outlook appears to be bright, 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. 6.19 billion as against Rs. 4.28 billion in the previous year. The profit before tax for the year is Rs.191.45 million as against a profit of Rs. 45.30 million in the previous year.

## SEGMENTWISE PERFORMANCE

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

The segment wise turnover of the Company is as follows :-

(Rs.in 000's)

Products	2006-07	2005-06
Power Generation and Distribution	1,735,300	1,209,950
Trading of Rotating Machines	3,922,892	2,705,750
Others	528,519	365,427
<b>TOTAL</b>	<b>6,186,711</b>	<b>4,281,127</b>

## FUTURE OUTLOOK

The thrust placed on the power sector by the Government and the continued demand from the user industries, should sustain the demand for the Company's products. The margins may however be under pressure due to increasing costs and intense competition.

## RISKS & CONCERNS

Rising costs and delays in availability of raw materials costs are a matter of concern. It may not be possible to pass higher costs fully to the customers. The industry has become highly competitive.

## 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 also 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 of Directors

Place : Bangalore

Date : 25th June, 2007

**Vijay R. Kirloskar**

Chairman & Managing Director

## CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2007 and certify, to the best of our knowledge and belief, that:

- i. these statements present a true and fair view of the Company's affairs, and are in compliance with existing accounting standards, applicable laws and regulations;
- ii. these statements do not contain any materially untrue statement, or omit any material fact, or contain statements that might be misleading;
- iii. no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's code of conduct ;
- iv. we have accepted the responsibility for establishing & maintaining internal control for financial reporting;
- v. we have evaluated the effectiveness of the internal control systems of the company, and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, of which we are aware and have taken steps to rectify the same, wherever found;
- vi. significant changes in internal control over financial reporting, as well as changes in accounting polices, have been intimated to the auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; There were no instances of fraud of which we have become aware.

Place : Bangalore

Date : 25.6.2007

**Vijay R. Kirloskar**

Chairman & Managing Director

**Rakesh Kumar Gupta**

VP & CFO

CERTIFICATE OF 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 31<sup>st</sup> March 2007, as stipulated in clause 49 of the Listing Arrangement 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 to be 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 : 25.6.2007

**SHYAM RAMADHYANI**  
*Partner*

# KIRLOSKAR ELECTRIC COMPANY LTD.

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

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at 31<sup>st</sup> March 2007, 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.
6. The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by 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 22 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 31<sup>st</sup> March 2007 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31<sup>st</sup> March 2007 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 (b) of schedule N regarding balance with few banks as per books being subject to reconciliation/confirmation, since such bank has not yet given proper effect to the scheme of arrangement under sections 391-394 of the Companies Act, 1956 approved by the honourable High Court of Karnataka, and
  - b) Notes 21 of schedule N regarding shortfall in the market/fair value of investments in relation to their acquisition cost and amounts due from certain companies of Rs.46.923 million, which have incurred losses and whose net worth have been partially or wholly eroded. We have relied on the representations of the management that the diminution in the value of investments is temporary in nature and that the debts/advances are good of recovery
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 10 above and paragraphs 1 & 2 of the annexure to this report give a true and fair view in conformity with the accounting principles generally accepted in India: -
  - a In the case of the balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2007
  - b In the case of the profit and loss account, of the profits 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

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**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 are subject to confirmation.*
- c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties and at port are subject to confirmation.*
- b. The procedures of physical verification of inventories followed by the management 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 inventories of a unit and work-in-progress.* The discrepancies noticed on verification between the physical stocks and the book records were not material.
- d. 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 & 23 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. 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 has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not made a detailed examination to ensure their accuracy or completeness.
9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities barring delays in certain months.
- b. *According to the information and explanations given to us, there are undisputed statutory dues as at 31.3.2007 outstanding for a period of more than six months from the date they became payable are detailed below.*

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Customs Act, 1962	Material Lying at bonded Warehouse	4,119,078	September 2000

- c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at 31<sup>st</sup> March 2007 with the relevant authorities on account of disputes.

## KIRLOSKAR ELECTRIC COMPANY LTD.

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	3,872,324	1985 to 2001	Sales Tax Appellate Tribunal
The Customs Act, 1962.	Customs Demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise and Salt Act, 1944	Excise Duty Demand	491,170		Commissioner (Appeals)
The Central Excise and Salt Act, 1944	Excise Duty Demand	8,715,000	2005 – 06	Central Excise & Service Tax Appellate Tribunal
Service Tax Act	Service Tax Demand	550,949	2003-04	Joint Commissioner of Central Excise (Service Tax)
The Income Tax Act, 1961	Income Tax arrears demand	132,910,896	2002-03	Commissioner of Income Tax (Appeals).

10. In our opinion, the accumulated losses of the Company are 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. According to the information and explanations given to us, the Company has not paid interest to a bank to an aggregate extent of Rs.2.35 million as at 31<sup>st</sup> March 2007, since the said bank has not given proper effect to the scheme of arrangement approved by the Hon'ble High Court of Karnataka.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, the 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 used the terms loans for the purpose for which it has been taken.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that 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 material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

B. K. Ramadhyani & Co.,  
4B, Chitrapur Bhavan  
8<sup>th</sup> main, 15<sup>th</sup> cross, Malleswaram,

Bangalore - 560 055  
Date: 25<sup>th</sup> June, 2007

For B.K.RAMADHYANI & CO.  
Chartered Accountants

**SHYAM RAMADHYANI**  
Partner

Membership number 200/19522



SIXTIETH ANNUAL REPORT 2006 -2007

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	Schedule	As at 31 <sup>st</sup> March, 2007 Rs.	As at 31 <sup>st</sup> March, 2006 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital	A	432,688	432,688
b) Share application money pending allotment		60,000	–
c) Reserves & Surplus	B	675,541	675,541
		<b>1,168,229</b>	1,108,229
<b>LOAN FUNDS</b>			
a) Secured Loans	C	244,294	176,073
b) Unsecured Loans	D	72,049	17,501
		<b>316,343</b>	193,574
<b>TOTAL</b>		<b>1,484,572</b>	<b>1,301,803</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	E	364,906	380,565
b) Less : Depreciation		249,055	261,616
c) Net Block			118,949
d) Capital Work in progress (At cost)		56,383	56,383
Less: Provision for diminution in value		46,056	3,056
		<b>10,327</b>	53,327
		<b>126,178</b>	172,276
<b>INVESTMENTS</b>	F	<b>584,752</b>	600,068
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Inventories	G	229,727	217,961
b) Sundry Debtors		1,378,923	1,126,390
c) Cash & Bank Balances		413,668	139,434
d) Loans & Advances		387,329	253,968
		<b>2,409,647</b>	1,737,753
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>	H		
a) Current Liabilities		1,763,766	1,555,257
b) Provisions		41,434	21,250
		<b>1,805,200</b>	1,576,507
<b>NET CURRENT ASSETS</b>		<b>604,447</b>	161,246
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>	I	<b>19,751</b>	43,823
<b>PROFIT &amp; LOSS ACCOUNT</b>		<b>149,444</b>	324,390
<b>TOTAL</b>		<b>1,484,572</b>	<b>1,301,803</b>
<b>NOTES ON ACCOUNTS</b>	N		
<b>BALANCE SHEET ABSTRACT &amp; COMPANY'S GENERAL BUSINESS PROFILE</b>	O		

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

As per our report of even date

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

**SHYAM RAMADHYANI**  
Partner

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. Malik**  
Joint Managing Director

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

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

# KIRLOSKAR ELECTRIC COMPANY LTD.

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	Schedule	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales		6,186,711	4,281,127
Less: excise duty		<u>272,754</u>	<u>140,881</u>
Other Income	J	24,277	19,717
Profit on sale of long term investment		-	2,992
Profit on sale of fixed assets		615	6,453
TOTAL		<u>5,938,849</u>	<u>4,169,408</u>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K	5,309,337	3,755,750
Operating and Other Expenses	L	288,900	259,896
Restructuring Expenses		-	26,585
Interest and Finance Charges On Fixed Loans		22,333	13,957
On Other Accounts		<u>11,567</u>	<u>4,074</u>
		<b>33,900</b>	18,031
Loss on Sale of Fixed Assets		-	246
Depreciation, Amortisations and Provisions	M	<u>123,302</u>	<u>63,822</u>
		<b>5,755,439</b>	4,124,330
Less : Expenses Capitalised		230	222
TOTAL		<u>5,755,209</u>	<u>4,124,108</u>
<b>PROFIT BEFORE TAX &amp; EXTRAORDINARY ITEMS</b>		<b>183,640</b>	45,300
Add: Extraordinary income - remission of liability		<u>7,806</u>	-
<b>PROFIT BEFORE TAXATION</b>		<b>191,446</b>	45,300
Less : Provision for current tax		10,000	-
Provision for Fringe Benefit Tax		<u>6,500</u>	4,000
<b>PROFIT FOR THE YEAR AFTER TAX</b>		<b>174,946</b>	41,300
Less : Loss brought forward from Previous Year		<u>(324,390)</u>	<u>(365,690)</u>
<b>BALANCE OF LOSS CARRIED TO BALANCE SHEET</b>		<u>(149,444)</u>	<u>(324,390)</u>
<b>EARNING PER SHARE (FACE VALUE RS 10 PER SHARE)</b>			
Before considering extraordinary items			
Basic		5.03	1.01
Diluted		4.73	0.95
After considering extraordinary items			
Basic		5.28	1.01
Diluted		4.96	0.95
<b>NOTES ON ACCOUNTS</b>	N		
<b>BALANCE SHEET ABSTRACT &amp; COMPANY'S GENERAL BUSINESS PROFILE</b>	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 B. K. RAMADHYANI & CO.**  
Chartered Accountants

**SHYAM RAMADHYANI**  
Partner

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. Malik**  
Joint Managing Director

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

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

# SIXTIETH ANNUAL REPORT 2006 -2007

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	<b>As at 31st March, 2007 Rs.</b>	As at 31st March 2006 Rs.
<b>SCHEDULE "A"</b>		
<b>AUTHORISED</b>		
3,000,000 Preference Shares of Rs. 100/- each	<b>300,000</b>	300,000
40,000,000 Equity Shares of Rs. 10/- each	<b>400,000</b>	400,000
<b>TOTAL</b>	<b><u>700,000</u></b>	<u>700,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP :</b>		
1,200,000 Preference Shares of Rs. 100/- each	<b>120,000</b>	120,000
31,268,817 Equity Shares of Rs. 10/- each	<b>312,688</b>	312,688
<b>TOTAL</b>	<b><u>432,688</u></b>	<u>432,688</u>

**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 preference shares shall be redeemed in 3 annual installments on 30.09.2008, 30.09.2009 and 30.09.2010 respectively
- 3) 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"**

(Rs in 000's)

<b>RESERVES AND SURPLUS</b>		
Capital Reserve		
As per last Balance Sheet	<b>1,806</b>	1,806
Revaluation Reserve		
As per last Balance Sheet	<b>48,041</b>	48,041
Capital Redemption Reserve		
As per last Balance Sheet	<b>2,500</b>	2,500
Share Premium Account		
As per last Balance Sheet	<b>614,194</b>	614,194
Reserve for Doubtful Debts		
As per last Balance Sheet	<b>9,000</b>	9,000
<b>TOTAL</b>	<b><u>675,541</u></b>	<u>675,541</u>

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	As at 31st March, 2007 Rs.	As at 31st March 2006 Rs.
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
a) From Banks	<b>184,620</b>	126,673
b) From a company	<b>10,274</b>	-
c) Zero Coupon Debentures	<b>49,400</b>	49,400
<b>TOTAL</b>	<b><u>244,294</u></b>	<u>176,073</u>

## SCHEDULE "D"

### UNSECURED LOANS

a) Fixed Deposit	<b>1,208</b>	523
b) Interest accrued and due - FDs	<b>121</b>	178
c) SICOM Sales Tax loan	<b>1,119</b>	1,119
d) HDFC Housing Loan	-	180
e) From companies	<b>69,601</b>	15,501
<b>TOTAL</b>	<b><u>72,049</u></b>	<u>17,501</u>

NOTE : Fixed deposits include unclaimed deposits of Rs.0.478 million (Previous year Rs.0.523 million)  
Amount falling due for payment within one year is Rs.51.848 million (Previous year Rs.2.00 million).

## SCHEDULE "E"

### FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2006	Additions Transfers	Deductions Transfers	As at 31st March 2007	As at 1st April 2006	For the period	Withdrawals during the period	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Goodwill	42,346	—	—	<b>42,346</b>	42,346	—	—	<b>42,346</b>	—	—
Land (*)	53,150	—	—	<b>53,150</b>	—	—	—	—	53,150	53,150
Buildings (#)	53,029	—	—	<b>53,029</b>	33,043	868	—	<b>33,911</b>	19,118	19,986
Plant & Machinery (including technical know-how)	171,694	5,315	21,888	<b>155,121</b>	138,460	5,960	21,468	<b>122,952</b>	32,169	33,234
Furniture & Equipment	45,361	1,166	—	<b>46,527</b>	37,111	1,779	—	<b>38,890</b>	7,637	8,250
Vehicles and Aircraft	14,985	—	252	<b>14,733</b>	10,656	552	252	<b>10,956</b>	3,777	4,329
<b>TOTAL</b>	<b>380,565</b>	<b>6,481</b>	<b>22,140</b>	<b>364,906</b>	<b>261,616</b>	<b>9,159</b>	<b>21,720</b>	<b>249,055</b>	<b>115,851</b>	<b>118,949</b>
Previous Year	389,739	8,640	17,814	<b>380,565</b>	262,273	8,381	9,038	<b>261,616</b>	<b>118,949</b>	<b>127,466</b>

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

(\*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

SIXTIETH ANNUAL REPORT 2006 -2007

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	NOs.	Face Value	As at 31st March, 2007 Rs.	As at 31st March 2006 Rs.
<b>SCHEDULE "F"</b>				
INVESTMENTS (AT COST)				
{LONG TERM}				
A. TRADE :				
(a) QUOTED :				
(i) <u>Equity Shares - Fully Paid-up</u>				
Deepak Insulated Cable Corporation Ltd., (12,000 Bonus Shares)	104,750	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	44	21,260	21,260
(ii) <u>Debentures - Fully Paid-up</u>				
The Mysore Kirloskar Ltd., @	30,000		1,320	1,320
(b) UNQUOTED :				
(i) <u>Equity Shares - Fully Paid-up</u>				
In Subsidiary Company :				
Kaytee Switchgear Ltd (\$)	20,619,512	10	579,200	579,200
KEC North America Inc *	210	-	12,936	12,936
In Other Companies :				
Best Trading & Agencies Ltd.,	584	10	6	6
Kirloskar Proprietary Ltd., (acquired 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 Equipment Ltd.,	340,000	10	2,817	2,817
KEASI Robicon Industrial Systems Private Limited (Formerly Kirloskar Ansaldo Industrial Systems Pvt Ltd)	500,000	10	5,000	5,000
			<b>627,648</b>	627,648
Less:				
Provision for diminution in value of Investments			<b>42,896</b>	27,580
<b>TOTAL</b>			<b>584,752</b>	<b>600,068</b>

@ Matured and due for payment.

\$ 15,619,512 shares acquired pursuant to the order of the Honourable High Court of Karnataka on the Company's petition under Sections 391-394 of the Companies Act, 1956

\* This company has been wound up. Pending approval of Reserve Bank of India, the said investment has not been written off in the books of account. However, full provision has been made.

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	602,688	602,688

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	As at 31st March, 2007 Rs.	As at 31st March 2006 Rs.
<b>SCHEDULE "G"</b>		
CURRENT ASSETS, LOANS & ADVANCES		
<b>A. CURRENT ASSETS</b>		
1. INVENTORIES - as certified by the Managing Director		
i. Raw Materials, stores, spares parts, components etc.,	51,020	56,562
ii. Stock in trade		
Finished goods (including trading stocks)	85,156	118,107
Process stock	104,718	57,091
iii. Others-Including material at port and scrap	19,541	16,909
	<b>260,435</b>	248,669
Less: Provision for non-moving stocks	30,708	30,708
	<b>229,727</b>	217,961
2. SUNDRY DEBTORS		
(Unsecured, considered good except for doubtful debts of Rs.21.461 million, previous year Rs.11.461 million)		
i. Debts outstanding for a period exceeding six months	331,431	363,429
ii. Other debts	10,68,953	774,422
	<b>14,00,384</b>	1,137,851
Less : Provision for doubtful debts	21,461	11,461
	<b>13,78,923</b>	1,126,390
3. CASH AND BANK BALANCES		
a. Cash on hand	5	18
b. Cheques in hand	-	338
c. Amount in transit	8,505	3,000
d. Balances with scheduled banks		
- On current account	130,179	56,999
- On short term deposit accounts	274,979	79,079
	<b>413,668</b>	139,434
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good except doubtful advances of Rs. 33.668 million, previous year Rs.14.968 million)		
Advances recoverable in cash or in kind or for value to be received		
Sundry Advances (***)	383,488	253,213
Less : Provision for doubtful advances	33,668	14,968
	<b>349,820</b>	238,245
Central excise deposits	21,770	7,900
Advance payment of tax (including FBT)	15,739	7,823
	<b>387,329</b>	253,968
<b>TOTAL</b>	<b>2,409,647</b>	1,737,753

\*\*\* Includes balances due with customs Rs.Nil million (Previous year Rs.2.71 million).

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**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	<b>As at 31st March, 2007 Rs.</b>	<b>As at 31st March 2006 Rs.</b>
<b>SCHEDULE "H"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors ( Refer note 19, Schedule N)	<b>575,493</b>	501,081
Trade Advances	<b>27,738</b>	27,336
Other liabilities (@)	<b>436,176</b>	303,572
Due to subsidiary company	<b><u>724,359</u></b>	<u>723,268</u>
	<b>1,763,766</b>	1,555,257
<b>B. Provisions</b>		
For Taxation (including FBT)	<b>26,572</b>	10,557
For Earned Leave Encashment	<b>4,445</b>	3,331
For Warranty claim	<b><u>10,417</u></b>	<u>7,362</u>
	<b>41,434</b>	21,250
<b>TOTAL</b>	<b><u>18,05,200</u></b>	<u>1,576,507</u>
(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).		

**SCHEDULE "I"**

**MISCELLANEOUS EXPENDITURE TO THE  
EXTENT NOT WRITTEN-OFF**

<b>1. Deferred Revenue Expenditure</b>		
Voluntary Retirement Scheme	<b>19,751</b>	43,823
<b>TOTAL</b>	<b><u>19,751</u></b>	<u>43,823</u>



# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	<b>Current Year</b>	<b>Previous Year</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE "J"</b>		
OTHER INCOME		
Interest :		
On Fixed Deposits	9,366	3,903
Others	<u>1,727</u>	<u>775</u>
(Tax deducted at source Rs.0.20 million, previous year Rs.0.15 million)	<b>11,093</b>	4,678
Rent received	<b>5,334</b>	4,047
(Tax deducted at source Rs.0.26 million, previous year Rs.0.54 million)		
Miscellaneous	<u>7,848*</u>	<u>10,992</u>
TOTAL	<u><b>24,277</b></u>	<u>19,717</u>

(\*) Includes provision no longer required Rs.2.239 million (Rs.5.138 million)

### SCHEDULE "K"

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

Raw material, stores and Components	1,565,045	859,539	
Purchases for Trading	<u>3,758,968</u>	<u>2,985,775</u>	3,845,314
		<b>5,324,013</b>	
Deduct : Increase in stocks			
Stocks at Close			
Process stocks	104,718	57,091	
Trading and finished goods	<u>85,156</u>	<u>118,107</u>	
	<b>189,874</b>	175,198	
Less : Stocks at commencement			
Process stocks	57,091	57,299	
Trading and finished goods	<u>118,107</u>	<u>28,335</u>	
	<b>175,198</b>	85,634	
TOTAL	<u><b>(14,676)</b></u>	<u>85,634</u>	<u>(89,564)</u>
	<u><b>5,309,337</b></u>	<u>3,755,750</u>	

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**SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "L"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	<b>10,773</b>	11,714
Expenses relating to Employees :		
Salaries, Wages & Bonus	<b>96,858</b>	77,842
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	<b>7,943</b>	7,232
Gratuity as per actuarial valuation	<b>2,469</b>	6,865
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	<b>8,511</b>	8,868
	<b>115,781</b>	100,807
Rent	<b>4,547</b>	6,664
Repairs		
Buildings	<b>6,311</b>	2,837
Machinery	<b>2,368</b>	6,502
Others	<b>9,780</b>	14,079
	<b>18,459</b>	23,418
Selling Expenses	<b>26,586</b>	24,548
Commission	<b>4,982</b>	315
Cash Discount	<b>24</b>	-
Additional Sales Tax	<b>987</b>	-
Maintenance of Vehicles	<b>999</b>	1,337
Insurance	<b>1,668</b>	1,595
Rates and Taxes	<b>2,454</b>	9,977
Advertisement	<b>3,409</b>	3,671
Printing & Stationery	<b>5,886</b>	3,941
Travelling Expenses	<b>35,281</b>	29,780
Postage, Telegrams and Telephones	<b>9,762</b>	9,864
Auditors Remuneration	<b>1,701</b>	1,699
Tech. Consultancy & Professional Charges	<b>17,316</b>	11,102
Royalty	-	-
Bank Charges (Net off exchange fluctuation difference of Rs.2.992 million Dr. previous year Rs.0.019 million Cr.)	<b>16,287</b>	7,614
Subscription to technical associations, Journals and Magazines	<b>1,112</b>	1,131
Computer hire, Software development and data preparation charges	-	240
Manufacturing expenses and sundries	<b>3,677</b>	2,593
Bad debts & disallowance written off	<b>1,120</b>	3,710
Less : Provision for doubtful debts withdrawn	-	1,092
	<b>1,120</b>	2,618
Donations	-	10
Directors' sitting fees	<b>200</b>	175
Remuneration to whole-time directors	<b>5,889</b>	5,083
	<b>288,900</b>	259,896
<b>SCHEDULE "M"</b>		
<b>DEPRECIATION, AMORTISATION AND PROVISIONS</b>		
1. Depreciation	<b>9,159</b>	8,381
2. Amortisation of Voluntary Retirement Scheme	<b>24,072</b>	34,059
3. Doubtful debts	<b>10,000</b>	-
4. Doubtful advances	<b>18,700</b>	-
5. Diminution in the value of uninstalled machinery	<b>43,000</b>	-
6. Diminution in value of investment	<b>15,316</b>	-
7. Diminution in the value of inventories/ assets	-	17,825
8. Warranty claims	<b>3,055</b>	3,557
	<b>123,302</b>	63,822

**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 first in first out 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 or net realizable value whichever is lower. Finished goods are valued at cost or net realizable value 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, which ever is higher on assets as on 31<sup>st</sup> 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 1<sup>st</sup> 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 amortized 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 amortized 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 capitalized 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 based on actuarial valuation/ assessment of liability.

**1.11 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH ETC**

The financial statements of foreign branches have been translated in accordance with Accounting Standard 11.

**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.

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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.,)

Rs. in 000's

	As at 31.03.2007	As at 31.03.2006
<b>2. CONTINGENT LIABILITIES ETC.</b>		
i) Guarantees / Counter guarantees given on Import and Sale contracts etc.	<b>74,037</b>	45,044
ii) Bills discounted with bank	—	33,744
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	<b>14,911</b>	5,188
iv) Sales tax demanded under appeal in branches of the Company	<b>8,309</b>	8,173
v) Claims against the Company not acknowledged as debt. The Company has made counter claim against one of the parties amounting to Rs.12.944 million (Previous year Rs. 12.944 million)	<b>216,339</b>	217,559
vi) The Company has furnished guarantees for the credit facilities of Rs.128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Private Limited (KBPL) 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 is liability. The Company does not acknowledge this liability.	<b>Not Ascertainable</b>	Not Ascertainable
vii) Sales tax liability in respect of pending assessments	<b>Not Ascertainable</b>	Not Ascertainable
viii) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues not ascertainable. The Company has made waiver petition where ever such interest / penalty has been levied.	<b>Not Ascertainable</b>	Not Ascertainable
ix) Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers – amount not ascertainable and will be charged to revenue in the year of final claim.	<b>132,911</b>	—
x) Income tax demand under appeal	<b>61,832</b>	50,684
xi) Arrears of dividend on cumulative preference shares (including tax thereon).		

In terms of the scheme of arrangement approved by the honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1<sup>st</sup>, 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1<sup>st</sup>, 2001 to September 30<sup>th</sup>, 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26<sup>th</sup>, 2003 allotted ZCD's to an extent of Rs. 2,345 crores representing dividends on the said preference shares from October 1<sup>st</sup>, 2001 to September 30<sup>th</sup>, 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<sup>st</sup>, 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<sup>th</sup>, 2004 proceeded to annual the said allotment. The preference shareholder has requested the Company to evolve an alternate mechanism to compensate them. Pending finalization of the matter, no provision has been made in the books of account for the same.

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 <b>31.03.2007</b>	As at 31.03.2006
<b>3. SECURED LOANS</b>		
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.	<b>29</b> <b>RM 2</b>	410 RM 35
ii) a) Working capital Term Loan & funded interest term loans from consortium banks are secured by first pari passu charge on certain fixed assets along with the holders of zero coupon debentures and second pari passu charge on current assets and the said credit facilities have been guaranteed by the Chairman & Managing Director.		
b) Other working capital facilities - First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.		
iii) Term loan from a Company – First pari passu charge on residential property at Nandidurg Road, Bangalore pending to be registered with the Registrar of Companies.		
B) Loans and Advances from Financial Institutions :	<b>49,400</b>	49,400
Zero Coupon Debentures (IDBI) – First pari passu charge on fixed assets pari passu along with banks referred to in para A (ii) above.		
<b>4. BALANCES WITH FOREIGN BANKS</b>	<b>9,412</b>	10,903
i) With Bank of Commerce (M) Bhd., Kuala Lumpur :	<b>RM 840</b>	RM 946
On Short term deposits		
Maximum Balance at any time during the year	<b>10,903</b> <b>RM 946</b>	10,903 RM 946
v) With HSBC, Dubai	<b>109</b>	415
On Current Accounts	<b>AED 9</b>	AED 34
Maximum balance at any time during the year	<b>415</b> <b>AED 34</b>	415 AED 34
v) With HSBC Dubai	<b>11,598</b>	840
On Current Account	<b>\$ 271</b>	\$ 19
Maximum balance at any time during the year	<b>11,598</b> <b>\$ 271</b>	840 \$ 19
<b>5. NET DIVIDEND REMITTED IN FOREIGN CURRENCY DURING THE YEAR</b>		
Number of Non-resident shareholders (exclusive of Shareholders whose dividends are credited to their Accounts in India)	<b>3</b> <b>(Three)</b>	3 (Three)
Number of Equity Shareholdings	<b>1,905,401</b>	1,905,401

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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.,)

Rs. in 000's

	Current Year	Previous Year
<b>6. Earning in Foreign Exchange</b>		
i) F.O.B. value of Goods exported (Net) (inclusive of Sales within India eligible for export incentives)	<b>176,243</b>	145,958
ii) Remittances from overseas offices (Net)	<b>9,480</b>	2,771
<b>7. Value of Imports calculated on CIF basis:</b>		
i) Raw Materials	<b>749</b>	15,792
ii) Components and Spare parts	<b>41,894</b>	31,009
iii) Capital items	<b>1,821</b>	Nil
<b>8. Expenditure in foreign currency during the financial year</b>	<b>11,011</b>	8,876
<b>9. Remuneration to Auditors:</b>		
a) IN INDIA		
i) for Audit	<b>500</b>	500
ii) for Taxation matters / tax audit	<b>450</b>	450
iii) for Certification work etc.	<b>475</b>	475
iv) for Management Services / service tax	<b>261</b>	259
b) IN MALAYSIA		
i) for Audit	<b>10</b>	10
ii) for Taxation matters	<b>5</b>	5
TOTAL	<b>1,701</b>	1,699

Excludes out of pocket expenses of Rs.0.125million (Previous Year 0.121 million)

**10. Expenditure on Research and Development during the year:**

Revenue	<b>2</b>	1,535
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**11. Value of imported and indigenous raw materials, stores, spare parts and components consumed and percentage of each to the total consumption:**

	%	Rs. in 000's	%	Rs. in 000's
Value of imported raw materials, stores, spare parts & components consumed	<b>2.63%</b>	<b>41,207</b>	5.89%	50,624
Value of indigenous raw materials, stores, spare parts & components consumed	<b>97.37%</b>	<b>1,523,838</b>	94.11%	808,915
<b>TOTAL</b>	<b>100%</b>	<b>1,565,045</b>	100%	859,539

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

	Unit	Quantity	Value	Quantity	Value
1. Copper (wires, strips, rods, sheets, etc)	MT	<b>1139</b>	<b>240,025</b>	499	133,528
2. Iron and steel (pig iron, rounds, plates, sheets, etc.,) Stampings and Laminations	MT	<b>915</b>	<b>259,141</b>	1,777	193,150
3. Others		(*)	<b>1,065,879</b>	(*)	532,861
TOTAL			<b>1,565,045</b>		859,539

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

## 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*	<b>8</b> (-)
2.	Transformers	Kva	Not Applicable	Not Ascertained	<b>1,777,101</b> (1,161,825)
3.	Arc Welding & Resistance Welding Equipments with Welding Aids and Accessories	Nos	1,800+	1800+	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*	<b>851</b> (769)
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	<b>5,341</b> (1,206)
9.	Uninterruptible Power Systems	Nos.	5,000*	500	<b>732</b> (777)
10.	Metal Cutting including Grinding Machines (**)	Nos.	300*	150	Nil (Nil)
11.	Machine tool accessories including digital readouts (**)	Nos.	550*	550	<b>79</b> (57)
12.	Printed Circuit Boards (**)	Sq. Mtrs	2,500*	2,500*	Nil
13.	Alternators	Nos.	191,500	78,000	Nil
14.	D.G. Sets	Nos.			<b>64</b> (14)
15.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	Nos	\$		<b>859</b> (696)

#### 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.
- \* as per letter no.3/24/2000-PAB-IL from Department of Industrial Policy & Promotion, New Delhi dt.01/12/2004

SIXTIETH ANNUAL REPORT 2006 -2007

**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	<b>244</b> (184)	<b>77,909</b> (12,008)	<b>389</b> (244)	<b>19,372</b> (77,909)
2.	Transformers	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>12</b> (-)	<b>35,779</b> (-)
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	<b>38</b> (61)	<b>1,720</b> (2,152)	<b>18</b> (38)	<b>1,562</b> (1,720)
4.	Micro and Mini Computers	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)
5.	Uninterruptible Power Systems	<b>57</b> (40)	<b>1,362</b> (1,051)	<b>69</b> (57)	<b>1,251</b> (1,362)
6.	Metal Cutting including Grinding Machines (**)	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)
7.	Machine tool accessories including digital readouts (**)	<b>—</b> (21)	<b>—</b> (264)	<b>—</b> (-)	<b>—</b> (-)
8.	Switchgears	<b>—</b> (1)	<b>—</b> (814)	<b>2</b> (-)	<b>2,656</b> (-)
9.	D G Sets	<b>24</b> (39)	<b>862</b> (1,444)	<b>1</b> (24)	<b>582</b> (862)
10.	Industrial Electronic Voltage Regulators	<b>—</b> (43)	<b>—</b> (48)	<b>—</b> (-)	<b>—</b> (-)
11.	Others		<b>36,254</b> (10,554)		<b>23,954</b> (36,254)
	AT KUALA LUMPUR				
	Electric Motors	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)
	Sluice Valves	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)
	Diesel Engines	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)	<b>Nil</b> (-)
	Centrifugal Pumps	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)	<b>Nil</b> (Nil)
	Others	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	<b>TOTAL</b>		<b>118,107</b> (28,335)		<b>85,156</b> (118,107)



## 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:

TURNOVER OF FINISHED GOODS

Item No.	Class of Goods	Current Year		Previous Year	
		Qty. Nos.	Value Rs. In 000's	Qty. Nos.	Value Rs. In 000's
1.	Motors/ Alternators/ Generators	114,093	3,979,675	104,786	2,768,205
2.	Transformers	588	1,225,414	452	646,939
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	871	186,722	792	117,286
4.	Uninterruptible Power Systems	720	40,946	760	32,824
5.	Metal Cutting including Grinding Machines (**)	Nil	Nil	Nil	Nil
6.	Machine tool accessories including digital readouts (**)	79	2,558	78	7,904
7.	Industrial Electronic Voltage Regulators	5,341	Nil	1,249	Nil
8.	Circuit Breakers/ Starters/ Contactors/ Switchboard*	857	444,463	697	332,580
9.	D G Sets	87	108,913	29	1,162
10.	Others		198,020		374,227
<b>b) AT OVERSEAS OFFICES</b>					
	Sluice Valves	Nil	Nil	Nil	Nil
	Diesel Engines	Nil	Nil	Nil	Nil
	Centrifugal Pumps	Nil	Nil	Nil	Nil
	Others	Nil	Nil	Nil	Nil
	<b>TOTAL</b>		<b>6,186,711</b>		<b>4,281,127</b>

#### 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	113,873 Nil	3,615,977 Nil 142,991	104,846 Nil	2,657,024 Nil 328,751
b)	AT KUALA LUMPUR Electronic Motors Sluice Valves Diesel Engines Centrifugal Pumps Others	Nil Nil Nil Nil Nil	Nil Nil Nil Nil Nil	Nil Nil Nil Nil Nil	Nil Nil Nil Nil Nil
	<b>TOTAL</b>		<b>3,758,968</b>		<b>2,985,775</b>

\* Includes own manufactured goods sold at Kuala Lumpur office.

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

## SIXTIETH ANNUAL REPORT 2006 -2007

### 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 interalia involved restructuring of liabilities to banks and financial institutions and transfer of the rotating machines group to Kaytee Switchgear Limited (KSL).
  - b. Few banks that had advanced monies to the Company have not properly 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 Honourable 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 31<sup>st</sup> March 2007 are as per books and are subject to confirmation.
  - c. 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.
  - d. 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. The 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.). In respect of purchase of spare parts and parts of diesel generators, a mutually agreed price is charged by KSL to Company.
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. Current assets, loans and advances include Rs. 29.895 million due from a private limited company in which a director is interested.
19. The company is in the process of compiling necessary data regarding the status of the creditors under the Micro, Small & Medium Enterprises Development Act, 2006. Consequently, the disclosures under this Act have not been furnished. However the amount due to small-scale industries, which is more than 30 days, is Rs.87.135 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
20. Confirmation of balances from certain sundry debtors, deposit accounts, loans and advances, creditors etc are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, collector of customs and creditors, are under review and reconciliation. Adjustments, if any will be made on completion of review/reconciliation. Effect on revenue is not expected to be material.
21. a) The Company holds unquoted investments with book value of Rs.581.172 million in M/s. Kirsons Trading Pte. Ltd, Kirloskar Kenya Limited and KSL. Current Assets, Loans & Advances include Rs.46.923 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, 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.
22. Prior period income / expenditure has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/ netted off under their natural heads. This has no effect on the working results of the Company.
23. Loans & Advances include Rs.136.740 million (Rs.96.794 million) due from KSL
24. 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.4,547 (Rs.6,664).
25. 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	3,835	3,000
Contribution to Provident & Other Funds	922	810
TOTAL	4,757	3,810
b) Other Whole - time Directors		
Salary	999	1,063
Contribution to Provident & Other Funds	133	210
TOTAL	1,132	1,273
GRAND TOTAL	5,889	5,083

Liability in respect of accrued gratuity is not ascertainable separately.

## 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.,)

#### 26. Related Parties Disclosure:

Sl.No	Name of the related party	Relationship
1	Kaytee Switchgear Limited	Subsidiary
2	Mr. Vijay R. Kirloskar Mr. P. S. Malik Mr. D. R. Venkatesha Murthy (upto 10.10.2006) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
3	KEASI Robican Industrial Systems Limited Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures
4	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipment Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

#### DETAILS OF TRANSACTIONS:

(Rs In 000's)

Nature of transactions	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	<b>3,658,360</b> (2,728,558)	<b>Nil</b>	<b>Nil</b> (4,516)	<b>15,052</b> (591)	<b>3,674,242</b> (2,733,665)
Sale of goods/fixed assets	<b>78,448</b> (5,774)	<b>Nil</b>	<b>10,128</b> (16,258)	<b>20,048</b> (2,925)	<b>63,015</b> (24,957)
Rent received	<b>1,200</b> (NIL)	<b>Nil</b>	<b>Nil</b>	<b>2,442</b> (2,443)	<b>3,642</b> (2,443)
Common expenses paid	<b>—</b> (4,800)	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>—</b> (4,800)
Rent paid	<b>13</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13</b>
Investments as on 31.03.2007	<b>579,200</b> (592,136)	<b>Nil</b>	<b>5,529</b> (8,346)	<b>5,197</b> (2,380)	<b>589,926</b> (602,862)
Amount due to Company as at 31.3.2007	<b>136,740</b> (96,794)	<b>Nil</b> (-)	<b>8,550</b> (39,816)	<b>51,245</b> (14,080)	<b>334,755</b> (150,690)
Amount due from Company as at 31.03.2007	<b>724,359</b> (723,268)	<b>Nil</b>	<b>—</b> (1,243)	<b>13,295</b> (77)	<b>847,278</b> (724,588)
Remuneration	<b>Nil</b>	<b>6,818</b> (5,693)	<b>Nil</b>	<b>Nil</b>	<b>6,818</b> (5,693)

KEC North America Inc has been dissolved during the year. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

SIXTIETH ANNUAL REPORT 2006 -2007

**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.,)

**27. 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

Sl. No.	PARTICULARS	PRIMARY SEGMENTS			TOTAL
		Power Generation/ Distibution	Trading of Rotating Machines	Others	
1.	<b>Segment Revenues</b>				
	SALES	<b>1,735,300</b> (1,209,950)	<b>3,922,892</b> (2,705,750)	<b>528,519</b> (365,427)	<b>6,186,711</b> (4,281,127)
	Total	<b>1,735,300</b> (1,209,950)	<b>3,922,892</b> (2,705,750)	<b>528,519</b> (365,427)	<b>6,186,711</b> (4,281,127)
	Less: Inter segment revenues				
	Net Sales / Income from operations	<b>1,735,300</b> (1,209,950)	<b>3,922,892</b> (2,705,750)	<b>528,519</b> (365,427)	<b>6,186,711</b> (4,281,127)
2.	<b>Segment Results: Profit</b>				
	Before Taxation and Interest	<b>254,586</b> (114,400)	<b>52,362</b> (68,559)	<b>180,843</b> (74,768)	<b>487,789</b> (257,727)
	Less: Interest				<b>33,900</b> (18,031)
	Less: Depreciation & Amortizations				<b>123,302</b> (63,822)
3.	Unallocable Expenditure				<b>161,921</b> (161,136)
4.	Unallocable & Other Income (including Extraordinary items)				<b>22,779</b> (29,163)
	Less: Tax (including FBT)				<b>16,500</b> (4,000)
	<b>Total Profit / (Loss)</b>				<b>174,946</b> (41,300)
6.	<b>Segment Assets</b>	<b>543,689</b> (409,454)	<b>858,075</b> (793,778)	<b>248,867</b> (202,761)	<b>1,650,631</b> (1,405,993)
7.	<b>Unallocable Assets</b>				<b>1,489,697</b> (1,147,927)
8.	<b>Segment Liabilities</b>	<b>344,459</b> (272,650)	<b>123,462</b> (134,687)	<b>110,595</b> (92,235)	<b>578,516</b> (499,572)
9.	<b>Unallocable Liabilities</b>				<b>1,543,027</b> (1,270,509)
10.	<b>Capital Expenditure</b>	<b>2,784</b> (2,421)	<b>—</b> (-)	<b>371</b> (6,219)	<b>3,155</b> (8,640)

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

# 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.,)

#### 28. Earnings per share

Rs. (000's)

PARTICULARS	31.03.2007 Rs. (000's)	31.03.2006 Rs. (000's)
<b>BASIC E.P.S</b>		
AFTER EXTRAORDINARY ITEMS		
Profit for the year after tax	174,946	41,300
Less: Preference Dividend including dividend tax	9,828	9,578
	<u>165,118</u>	<u>31,722</u>
Weighted No. of Equity Shares for Basic EPS	31,268,817	31,268,817
Basic EPS (Rs.)	5.28	1.01
BEFORE EXTRAORDINARY ITEMS		
Profit for the year after tax	167,140	41,300
Less: Preference Dividend including dividend tax	9,828	9,578
	<u>157,312</u>	<u>31,722</u>
Weighted No. of Equity Shares for Basic EPS	31,268,817	31,268,817
Basic EPS (Rs.)	5.03	1.01
<b>DILUTED E.P.S</b>		
AFTER EXTRAORDINARY ITEMS		
Profit for the year after tax	174,946	41,300
Less: Preference Dividend including dividend tax	9,828	9,578
	<u>165,118</u>	<u>31,722</u>
No. of Equity Shares for Diluted EPS	33,268,817	33,268,817
Diluted EPS (Rs.)	4.96	0.95
BEFORE EXTRAORDINARY ITEMS		
Profit for the year after Tax	167,140	41,300
Less: Preference Dividend including dividend tax	9,828	9,578
	<u>157,312</u>	<u>31,722</u>
No. of Equity Shares for Diluted EPS	33,268,817	33,268,817
Diluted EPS (Rs.)	4.73	0.95

29. DETAILS OF DEFERRED TAX LIABILITY	As at 31.03.2007	As at 31.03.2006
Liability relating to value of fixed assets	14,967	16,994
Asset relating to Disallowance and Unabsorbed depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	14,967	16,994
Net amount	Nil	Nil

30. During the year the company has made the provisions towards warranty claims from the customers towards sales, and leave encashment to the employees the details of the same are as under: Rs in 000's

Particulars	Leave Encashment	Warranty Claims
Balance outstanding at the beginning of the year	3,331	7,362
Provision for the year (net)	1,114	2,785
Balance outstanding at the end of the year	4,445	10,417

31. 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.

32. 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 B. K. RAMADHYANI & CO.**  
 Chartered Accountants  
**SHYAM RAMADHYANI**  
 Partner

For and on behalf of Board of Directors  
**VIJAY R. KIRLOSKAR**  
 Chairman & Managing Director  
**P. Y. MAHAJAN**  
 Associate Vice President &  
 Company Secretary

**P. S. Malik**  
 Joint Managing Director  
**R. K. GUPTA**  
 Vice President & Chief Financial Officer

Place : Bangalore  
 Date : 25<sup>th</sup> June, 2007

SIXTIETH ANNUAL REPORT 2006 -2007

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

**SCHEDULE "O"**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION No. 

C	4	1	5	/	4	6	-	4	7
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BALANCE SHEET DATE 

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II. CAPITAL RAISED DURING THE YEAR (RUPEES IN THOUSANDS)

PUBLIC ISSUE	RIGHTS ISSUE										
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	N	I	L								
	N	I	L								
BONUS ISSUE	PRIVATE PLACEMENT										
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	N	I	L								
	N	I	L								

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES IN THOUSANDS)

TOTAL LIABILITIES	TOTAL ASSETS														
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1	4	8	4	5	7	2									
1	4	8	4	5	7	2									

SOURCES OF FUNDS

PAID UP CAPITAL	SHARE APPLICATION MONEY PENDING ALLOTMENT														
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	4	3	2	6	8	8									
			6	0	0	0									
RESERVES & SURPLUS	SECURED LOANS														
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	6	7	5	5	4	1									
	2	4	4	2	9	4									
UNSECURED LOANS															
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		7	2	0	4	9									

APPLICATION OF FUNDS

NET FIXED ASSETS	CAPITAL WORK IN PROGRESS														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>1</td><td>5</td><td>8</td><td>5</td><td>1</td></tr></table>		1	1	5	8	5	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>0</td><td>3</td><td>2</td><td>7</td></tr></table>			1	0	3	2	7
	1	1	5	8	5	1									
		1	0	3	2	7									
INVESTMENTS	NET CURRENT ASSETS														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>8</td><td>4</td><td>7</td><td>5</td><td>2</td></tr></table>		5	8	4	7	5	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>6</td><td>0</td><td>4</td><td>4</td><td>4</td><td>7</td></tr></table>		6	0	4	4	4	7
	5	8	4	7	5	2									
	6	0	4	4	4	7									
MISCELLANEOUS EXPENDITURE	ACCUMULATED LOSSES														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>9</td><td>7</td><td>5</td><td>1</td></tr></table>			1	9	7	5	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>4</td><td>9</td><td>4</td><td>4</td><td>4</td></tr></table>		1	4	9	4	4	4
		1	9	7	5	1									
	1	4	9	4	4	4									

IV. PERFORMANCE OF COMPANY (RUPEES IN THOUSANDS)

TURNOVER (INCLUDING OTHER INCOME)	TOTAL EXPENDITURE														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>5</td><td>9</td><td>4</td><td>6</td><td>6</td><td>5</td><td>5</td></tr></table>	5	9	4	6	6	5	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>5</td><td>7</td><td>5</td><td>5</td><td>2</td><td>0</td><td>9</td></tr></table>	5	7	5	5	2	0	9
5	9	4	6	6	5	5									
5	7	5	5	2	0	9									
PROFIT BEFORE TAX	PROFIT AFTER TAX														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>9</td><td>1</td><td>4</td><td>4</td><td>6</td></tr></table>		1	9	1	4	4	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>7</td><td>4</td><td>9</td><td>4</td><td>6</td></tr></table>		1	7	4	9	4	6
	1	9	1	4	4	6									
	1	7	4	9	4	6									
EARNING PER SHARE IN RS. (AFTER TAX)	DIVIDEND RATE %														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>5</td><td>.</td><td>2</td><td>8</td></tr></table>				5	.	2	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>N</td><td>I</td><td>L</td><td> </td></tr></table>		N	I	L			
			5	.	2	8									
	N	I	L												

V. GENERIC NAMES OF THREE PRINCIPLE PRODUCTS/SERVICES OF COMPANY

ITEM CODE NO. (ITC CODE) 

		8	5	.	0	1
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PRODUCT DESCRIPTION 

E	L	E	C	T	R	I	C		M	O	T	O	R	S
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ITEM CODE NO. (ITC CODE) 

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PRODUCT DESCRIPTION 

A	C		M	A	C	H	I	N	E	S
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ITEM CODE NO. (ITC CODE) 

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PRODUCT DESCRIPTION 

D	C		M	A	C	H	I	N	E	S
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ITEM CODE NO. (ITC CODE) 

		8	5	.	0	4
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PRODUCT DESCRIPTION 

T	R	A	N	S	F	O	R	M	E	R	S			
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# KIRLOSKAR ELECTRIC COMPANY LTD.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>A. CASH FLOW FROM OPERATION ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	183,640	45,300
DEPRECIATION	9,159	8,381
PROVISION FOR INVESTMENTS	15,316	-
AMORTISATION & PROVISIONS	28,241	38,265
PROVISION FOR UNINSTALLED MACHINERY	43,000	
PROFIT FROM SALE OF FIXED ASSETS (NET)	(615)	(6,207)
EXTRAORDINARY INCOME	7,806	(2,992)
INTEREST AND DIVIDEND (NET)	<u>22,807</u>	<u>13,353</u>
	<b>125,714</b>	<b>50,800</b>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<b>309,354</b>	<u>96,100</u>
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	(377,978)	(447,783)
INVENTORIES	(11,766)	(98,371)
TRADE & OTHER PAYABLES	<u>208,509</u>	<u>427,364</u>
	<b>(181,235)</b>	<b>(118,790)</b>
	<b>128,119</b>	<u>(22,690)</u>
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	(33,900)	(18,539)
DIRECT TAXES PAID	<u>(8,401)</u>	<u>(2,449)</u>
	<b>(42,301)</b>	<b>(20,988)</b>
NET CASH FROM OPERATING ACTIVITIES	<b>85,818</b>	<u>(43,678)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(6,481)	(8,640)
PURCHASE OF INVESTMENTS	-	(50,000)
SALE OF FIXED ASSETS	1,035	14,983
SALE OF INVESTMENTS	-	8,875
INTEREST RECEIVED	11,093	4,678
DIVIDEND RECEIVED	<u>-</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<b>5,647</b>	<b>(24,765)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM TERM BORROWING	172,276	(9,547)
PROCEEDS FROM FIXED DEPOSITS FROM PUBLIC	685	
PROCEEDS FOR ISSUE OF SHARE CAPITAL	60,000	-
REPAYMENT OF TERM BORROWINGS	<u>(50,192)</u>	<u>(349)</u>
NET CASH USED IN FINANCING ACTIVITIES	<b>182,769</b>	<b>(9,896)</b>
<b>D. NET INCREASE IN CASH</b>	<b>274,234</b>	<u>(78,339)</u>
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	139,434	217,773
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<b>413,668</b>	139,434
	<b>274,234</b>	<b>(78,339)</b>

As per our report of even date

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

**SHYAM RAMADHYANI**  
Partner

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. Malik**  
Joint Managing Director

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





**CONSOLIDATED  
FINANCIAL STATEMENTS**

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

1. We have examined the attached consolidated Balance Sheet of Kirloskar Electric Company Limited and its subsidiaries as at March 31, 2007, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. 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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
3.
  - a. *Unaudited financial statements of Keasi Robican Industrial Systems Limited for the financial year ended 30<sup>th</sup> June 2006 received have been used for the purpose of consolidation. The Company's share of assets, liabilities, income and expenditure as adopted for consolidation are not a significant percentage of the total reported figures of the group.*
  - b. *We have not audited the financial statements of Kirloskar (Malaysia) Sdn Bhd for the year ended 31<sup>st</sup> March 2007. Consequently, the Company's share in the profits/losses of this associate as shown separately in the Profit and Loss Account and the value of investments in the consolidated financial statements are based on the unaudited financial statements of Kirloskar (Malaysia) Sdn Bhd for the said year as received from the said associate.*
  - c. *Intra group balances (except in respect of transactions between the Company and its subsidiary, Kaytee Switchgear Limited) have not been reconciled and differences to the extent identified have been treated as intra group suspense, pending reconciliation.*
  - d. *The accounting policies used by an associate and a Joint Venture have not been compared and harmonized with the accounting policies used by the Company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained.*
  - e. *In the absence of necessary information, unrealised profits and losses from intragroup transactions, either relating to the year or previous years has not been eliminated. Effect on revenue not ascertainable.*
  - f. *Details of accounting policies, contingent liabilities as at 31<sup>st</sup> March 2007, notes forming part of the accounts, related party transactions etc of Keasi Robican Industrial Systems Limited and Kirloskar (Malaysia) Sdn Bhd have not been furnished.*
  - g. *Kirloskar North America Inc., an erstwhile subsidiary of the Company has been wound up during the year. The last financial statement available relate to the calendar year 2005. The difference between the liabilities and asset as per the said financial statement ( after eliminating intra group balances) as been withdrawn and credited to profit and loss account.*
4. *Subject to our comments in paragraph 3 above, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements, AS 23 - Accounting for Investments in Associates and AS 27 Accounting for Joint Ventures in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of the Company & its subsidiary Kaytee Switch Gear Limited, audited Balance Sheet as at 31<sup>st</sup> December 2005 of KEC North America Inc and unaudited financial statements of an associate and a jointly controlled entity.*
5. *Attention is invited to the following: -*
  - a) *Note 5 of schedule N regarding balances with few banks and financial institutions as per books being subject to reconciliation/confirmation, since such banks 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 5 (b) of schedule N regarding difference between interest charged by certain banks and financial institutions and that accounted by Company (effect on revenue is not ascertained).*
  - c) *Note 8 of schedule N regarding non provision for interest payable, if any under the Micro, Small & Medium Enterprises Development Act, 2006 (effect on revenue is not ascertained)*
  - d) *Note 9 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)*

- e) *Note 10 of schedule N regarding accounts of one of the units of the Company's subsidiary Kaytee Switch Gear Limited, whose accounts have been maintained on SAP R/3 systems and accounting standard 2 not being followed in the valuation of finished goods and work-in-progress at certain units and*
- f) *Notes 7 (b) and 11 of Schedule N regarding shortfall in the market /fair value of investments in relation to their acquisition cost of Rs.1.972 million and amounts due from certain companies of Rs.82.313 million. We have relied on the representations of the management regarding reasons for non-provision for the value of advances/debts and that the diminution in the value of investments is temporary in nature. We are unable to express independent opinion in the matter.*
6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to our comments in paragraphs 3 and 5 above and read with the other notes and schedules give a true and fair view in conformity with accounting principles generally accepted in India:
- a. In the case of the balance sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31<sup>st</sup> March, 2007
- b. In the case of the profit and loss account, of the profits of the Company and its subsidiaries for the year ended on that date
- c. In case of the cash flow statement, of the Company and its subsidiaries as at 31<sup>st</sup> March, 2007.

B. K. Ramadhyani & Co.,  
4B, Chitrapur Bhavan  
8th main, 15<sup>th</sup> Cross  
Malleswaram, Bangalore - 560 055  
Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

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

**Shyam Ramadhyani**  
*Partner*  
Membership number 200/19522

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	Schedule	As at 31 <sup>st</sup> March, 2007	As at 31 <sup>st</sup> March, 2006
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital	A	432,688	432,688
b) Share application money pending allotment		60,000	–
c) Reserves & Surplus	B	675,541	675,541
		<b>1,168,229</b>	1,108,229
PREFERENCE SHARE CAPITAL OF SUBSIDIARY		<b>117,675</b>	117,675
<b>LOAN FUNDS</b>			
a) Secured Loans	C	1,124,065	1,259,840
b) Unsecured Loans	D	111,454	69,716
		<b>1,235,519</b>	1,329,556
MINORITY INTEREST		<b>46,968</b>	13,557
TOTAL		<b>2,568,391</b>	2,569,017
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	E	2,027,956	2,026,335
b) Less : Depreciation		683,186	598,722
c) Net Block		<b>1,344,770</b>	1,427,613
d) Capital Work in progress (At cost)		117,583	111,776
Less: Provision for diminution in value		63,856	3,056
		<b>53,727</b>	108,720
		<b>1,398,497</b>	1,536,333
<b>INVESTMENTS</b>	F	<b>11,128</b>	13,391
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Inventories	G	534,551	529,495
b) Sundry Debtors		1,325,509	1,049,338
c) Cash & Bank Balances		449,392	171,549
d) Loans & Advances		375,942	297,343
		<b>2,685,394</b>	2,047,725
Less : <b>CURRENT LIABILITIES &amp; PROVISIONS</b>	H		
a) Current Liabilities		2,033,853	1,933,590
b) Provisions		94,406	52,138
		<b>2,128,259</b>	1,985,728
NET CURRENT ASSETS		<b>557,135</b>	61,997
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	I	19,751	43,823
GOODWILL ON CONSOLIDATION (Net)		66,766	66,766
PROFIT & LOSS ACCOUNT		515,114	846,707
TOTAL		<b>2,568,391</b>	2,569,017
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 B. K. RAMADHYANI & CO.**  
Chartered Accountants

**SHYAM RAMADHYANI**  
Partner

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. MALIK**  
Joint Managing Director

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

# KIRLOSKAR ELECTRIC COMPANY LTD.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007 (Rs in 000's)

	Schedule	Current Year		Previous Year
<b>INCOME</b>				
Sales		<b>6,272,636</b>		4,373,378
Less: Excise Duty		<b>784,510</b>	<b>5,488,126</b>	514,805
Other Income	J		<b>42,692</b>	33,398
Profit on Sale of Fixed Assets			<b>615</b>	7,071
<b>TOTAL</b>			<b>5,531,433</b>	<b>3,899,042</b>
<b>EXPENDITURE</b>				
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	K		<b>3,920,193</b>	2,759,596
Operating and Other Expenses	L		<b>867,141</b>	761,614
Restructuring Expenses			<b>-</b>	67,667
Interest and Finance Charges				
On Fixed Loans		<b>87,756</b>		85,622
On Other Accounts		<b>47,876</b>		30,658
			<b>135,632</b>	116,280
Loss on sale of investments in associate			<b>-</b>	5,791
Loss on sale of fixed assets			<b>10</b>	246
Depreciation, Amortisations and Provisions	M		<b>304,013</b>	144,624
			<b>5,226,989</b>	3,855,818
Less: Expenses Capitalised			<b>1,082</b>	4,216
<b>TOTAL</b>			<b>5,225,907</b>	<b>3,851,602</b>
<b>PROFIT BEFORE TAXATION &amp; EXTRAORDINARY ITEMS</b>			<b>305,526</b>	47,440
Add: Extraordinary income - remission of liability			<b>90,830</b>	-
<b>PROFIT BEFORE TAXATION &amp; EXTRAORDINARY ITEMS</b>			<b>396,356</b>	47,440
Less: Transfer of profit for the year - Minority Interest in a subsidiary			<b>33,411</b>	17,051
			<b>362,945</b>	30,389
Add: Share of profits of a associate			<b>117</b>	10,886
			<b>363,062</b>	41,275
Less : Provision for Taxation (net)		<b>12,000</b>		-
Provision for Fringe Benefit Tax		<b>9,500</b>		6,800
			<b>21,500</b>	6,800
<b>PROFIT FOR THE YEAR</b>			<b>341,562</b>	34,475
Less: Preference dividend of subsidiary company including dividend tax			<b>9,969</b>	426
			<b>331,593</b>	34,049
Less : Loss brought forward from Previous Year			<b>846,707</b>	880,756
Balance of Loss Carried to Balance Sheet			<b>515,114</b>	846,707
Earning per Share (Face Value Rs 10 per share)				
Before considering extraordinary items				
Basic			<b>7.39</b>	0.78
Diluted			<b>6.94</b>	0.74
After considering extraordinary items				
Basic			<b>10.29</b>	0.78
Diluted			<b>9.67</b>	0.74
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 and Loss Account

As per our report of even date

For and on behalf of Board of Directors

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

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. S. MALIK**  
Joint Managing Director

**SHYAM RAMADHYANI**  
Partner

**P. Y. MAHAJAN**  
Associate Vice President & Company Secretary

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

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

		As at 31 <sup>st</sup> March, 2007	As at 31 <sup>st</sup> March, 2006
<b>SCHEDULE "A"</b>			
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	<u>700,000</u>	<u>700,000</u>
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	<u>432,688</u>	<u>432,688</u>

### NOTES :

- Equity Shares include :
  - 10,000 Shares of face value of Rs. 0.100 million allotted as fully paid up pursuant to a contract without payment being received in cash;
  - 6,679,572 Shares of face value of Rs. 66.796 million allotted as fully paid up by way of bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve, General Reserve and Share Premium.
  - 6,000,000 shares were allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by Honourable High Court of Karnataka.
- The preference shares shall be redeemed in 3 annual installments on 30.09.2008, 30.09.2009 and 30.09.2010.
- 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

<b>CAPITAL RESERVE</b>			
	As per last Balance Sheet	1,806	1,806
<b>REVALUATION RESERVE</b>			
	As per last Balance Sheet	48,041	48,041
<b>CAPITAL REDEMPTION RESERVE</b>			
	As per last Balance Sheet	2,500	2,500
<b>SHARE PREMIUM ACCOUNT</b>			
	As per last Balance Sheet	614,194	614,194
<b>RESERVE FOR DOUBTFUL DEBTS</b>			
	As per last Balance Sheet	9,000	9,000
	TOTAL	<u>675,541</u>	<u>675,541</u>

### SCHEDULE "C"

#### SECURED LOANS

1. From Banks	995,835	1,011,526
2. From Financial Institutions	59,028	178,496
3. Zero Coupon Debentures	58,928	69,818
4. From a Company	10,274	-
	TOTAL	<u>1,124,065</u>

### SCHEDULE "D"

#### UNSECURED LOANS

a) Fixed Deposit	1,208	523
b) Interest accrued and due - FDs	121	178
c) From a bank	-	12,810
d) From companies	109,006	54,906
e) SICOM Sales Tax loan	1,119	1,119
f) HDFC Housing Loan	-	180
	TOTAL	<u>111,454</u>

NOTE : Fixed deposits include unclaimed deposits of Rs.0.478 million (Previous year Rs.0.523 million)  
Amount falling due for payment within one year is Rs.63.438 million (Previous year Rs.2.00 million).

# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

### SCHEDULE "E"

#### FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April 2006	Additions / Transfers	Deductions / Transfers	As at 31st March 2007	As at 1st April 2006	Additions for the year	Deductions for the year	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Goodwill	42,346	-	-	<b>42,346</b>	42,346	-	-	<b>42,346</b>	-	-
Land (*)	94,410	-	-	<b>94,410</b>	-	-	-	-	<b>94,410</b>	94,410
Leasehold Land (@)	6,627	-	-	<b>6,627</b>	-	-	-	-	<b>6,627</b>	6,627
Buildings (#)	330,695	9,000	-	<b>339,695</b>	55,080	11,130	-	<b>66,210</b>	<b>273,485</b>	275,615
Plant & Machinery	1,476,232	12,369	21,889	<b>1,466,712</b>	447,330	91,380	21,468	<b>517,242</b>	<b>949,470</b>	1,028,902
(including technical know-how)	-	-	-	-	-	-	-	-	-	-
Furniture & Equipment	59,036	2,409	15	<b>61,430</b>	41,874	3,019	1	<b>44,892</b>	<b>16,538</b>	17,162
Vehicles and Aircraft	15,965	-	253	<b>15,712</b>	11,068	656	252	<b>11,472</b>	<b>4,240</b>	4,897
Proportionate share of Jointly Controlled Entity	1,024	-	-	<b>1,024</b>	1,024	-	-	<b>1,024</b>	-	-
<b>Total</b>	<b>2,026,335</b>	<b>23,778</b>	<b>22,157</b>	<b>2,027,956</b>	<b>598,722</b>	<b>106,185</b>	<b>21,721</b>	<b>683,186</b>	<b>1,344,770</b>	<b>1,427,613</b>
Previous Year	1,878,599	172,396	24,660	2,026,335	522,183	87,721	11,182	598,722	1,427,613	1,356,416

(\*) Certain land at Bangalore was revalued in the year 1999-2000 on the basis of Chartered Engineers certificate. Incremental amount on revaluation was credited to Revaluation Reserve Rs.48,041 (in 000's).

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

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

### SCHEDULE "F"

(Rs in 000's)

Details of Investment	Name of the Company	Nos	Face Value	As at 31st March, 2007	As at 31st March, 2006
<b>INVESTMENTS (AT COST)</b>					
<b>{LONG TERM}</b>					
<b>A. TRADE :</b>					
<b>(a) Quoted : (i) Equity Shares - Fully Paid-up</b>					
	Kirloskar Computer Services Ltd.,	200,000	10	<b>2,380</b>	2,380
	The Mysore Kirloskar Ltd.,	770,750	10	<b>21,260</b>	21,260
<b>(ii) Debentures - Fully Paid-up</b>					
	The Mysore Kirloskar Ltd., @	30,000	44	<b>1,320</b>	1,320
<b>(b) Unquoted : (i) Equity Shares - Fully Paid-up</b>					
Investments in Associates & Joint Venture					
	Kirloskar Power Equipment Ltd.,	340,000	10	<b>5,909</b>	5,909
	Kirloskar Ansaldo Industrial Systems Ltd.,	500,000	10	-	-
	Kirloskar (Malaysia) Sdn. Bhd,				
	Kuala Lumpur, Malaysia	150,000	MR 1	<b>3,013</b>	2,896
<b>Investment in others</b>					
<b>Equity Shares-Fully Paid up</b>					
	Best Trading & Agencies Ltd.,	584	10	<b>6</b>	6
	Kirloskar Proprietary Ltd.,	26	100	<b>128</b>	128
(aquired 25 shares on rights issue)					
	Sangli Bank Limited	10,000	10	<b>100</b>	100
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K. Sh 1000	<b>852</b>	852
	Kirsons Trading Pte. Ltd	56,250	S \$ 1	<b>1,120</b>	1,120
				<b>36,088</b>	35,971
				<b>24,960</b>	22,580
Less: Provision for diminution in value of Investments					
<b>TOTAL</b>				<b>11,128</b>	13,391

@ Matured and due for payment.

NOTES : 1) Aggregate value of quoted investments	Rs in 000's	Rs in 000's
Cost	<b>24,960</b>	24,960
Market Value	Not Available	Not Available
2) Aggregate value of unquoted investments		
Cost	<b>11,128</b>	11,011

# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006
<b>SCHEDULE "G"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. Inventories - as certified by the Managing Director		
i. Raw Materials, Stores, Spares Parts, Components etc.,	166,606	111,277
ii. Stock in Trade Finished Goods (including Trading Stocks)	139,335	170,463
Process Stock	261,151	283,493
iii. Others-Including Material at Port and Scrap	<u>28,623</u>	<u>25,426</u>
	<b>595,715</b>	590,659
Less: Provision for Non-moving Stock	<u>61,164</u>	<u>61,164</u>
	<b>534,551</b>	529,495
2. Sundry Debtors (Unsecured, considered good except doubtful debts of Rs.112.885 million, previous year Rs.63.937 million)		
i. Debts outstanding for a period exceeding six months	352,707	334,151
ii. Other Debts	<u>1,085,687</u>	<u>779,124</u>
	<b>1,438,394</b>	1,113,275
Less : Provision for doubtful debts	<u>112,885</u>	<u>63,937</u>
	<b>1,325,509</b>	1,049,338
3. Cash and Bank Balances		
a. Cash on Hand	37	107
b. Cheques in hand	-	338
c. Amount in transit	8,505	3,000
d. Balances with Scheduled Banks		
- On Current Account	142,663	68,383
- On Short term deposit accounts	297,639	99,172
Proportionate Share in Jointly Controlled Entity	<u>548</u>	<u>549</u>
	<b>449,392</b>	171,549
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good except doubtful advances of Rs.71.283 million, previous year Rs.40.236 million)		
Advances Recoverable in Cash or in kind or for value to be received		
Sundry Advances	400,440	319,242
Less : Provision for Doubtful Advances	<u>71,283</u>	<u>40,236</u>
	<b>329,157</b>	279,006
Central Excise Deposits	25,778	8,923
Advance payment of tax	20,883	9,075
Proportionate Share in Jointly Controlled Entity	<u>124</u>	<u>339</u>
	<b>375,942</b>	297,343
<b>TOTAL</b>	<b><u>2,685,394</u></b>	<b><u>2,047,725</u></b>
<b>SCHEDULE "H"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors	1,117,953	1,241,300
Acceptances	282,294	193,662
Trade Advances	28,172	27,802
Other liabilities (@)	604,794	469,953
Proportionate Share in Jointly Controlled Entity	<u>640</u>	<u>873</u>
	<b>2,033,853</b>	1,933,590
<b>B. PROVISIONS</b>		
For Taxation	34,372	13,357
For Earned Leave Encashment	22,662	19,137
For Warranty claim	26,977	19,218
Preference dividend of the subsidiary	<u>10,395</u>	<u>426</u>
	<b>94,406</b>	52,138
<b>TOTAL</b>	<b><u>2,128,259</u></b>	<b><u>1,985,728</u></b>
(@) Includes Rs.0.309 million due to Directors (Previous year Rs.0.309 million).		
<b>SCHEDULE "I"</b>		
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF</b>		
1 Deferred Revenue Expenditure		
Voluntary Retirement Scheme	<u>19,751</u>	<u>43,823</u>
<b>TOTAL</b>	<b><u>19,751</u></b>	<b><u>43,823</u></b>



# KIRLOSKAR ELECTRIC COMPANY LTD.

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH 2007 (Rs in 000's)

	Current Year	Previous Year
<b>SCHEDULE "J"</b>		
OTHER INCOME		
INTEREST :		
On Fixed Deposits	11,150	5,082
Others	<u>2,094</u>	<u>869</u>
(Tax deducted at source Rs. 0.26 million previous year Rs.0.1 million)	<b>13,244</b>	5,951
Rent Received	<b>4,216</b>	4,134
(Tax deducted at source Rs 0.26 million previous year Rs.0.50 million)		
Provision no longer required	<b>19,577</b>	23,204
Miscellaneous	<b>5,626</b>	91
Proportionate Share in Jointly Controlled Entity	<u>29</u>	<u>18</u>
TOTAL	<u><b>42,692</b></u>	<u><b>33,398</b></u>
<b>SCHEDULE "K"</b>		
CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS & COMPONENTS AND PURCHASES FOR TRADING		
Raw material and Components	<b>3,472,817</b>	2,388,566
Stores, Spare Parts etc	<u>40,887</u>	<u>31,535</u>
	<b>3,513,704</b>	2,420,101
Purchases for Trading	<u>355,718</u>	<u>502,812</u>
	<b>3,869,422</b>	2,922,913
Deduct :Increase in Stocks		
Stock at Close		
Process Stock	<b>261,151</b>	283,493
Trading and Finished Goods	<b>139,335</b>	170,463
Scrap	<u>4,377</u>	<u>1,678</u>
	<b>404,863</b>	455,634
Less : Stock at commencement		
Process Stock	<b>283,493</b>	212,417
Trading and Finished Goods	<b>170,463</b>	76,763
Scrap	<u>1,678</u>	<u>3,137</u>
	<b>455,634</b>	292,317
TOTAL	<u><b>50,771</b></u> <u><b>3,920,193</b></u>	<u>(163,317)</u> <u><b>2,759,596</b></u>

# CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007 (Rs in 000's)

	Current Year	Previous Year
<b>SCHEDULE "L"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	<b>71,055</b>	52,912
Expenses relating to Employees :		
Salaries, Wages & Bonuses	<b>383,151</b>	333,978
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	<b>35,364</b>	34,339
Gratuity as per actuarial valuation	<b>22,526</b>	20,458
Workmen and Staff Welfare Expenses (includes contribution to employees' State insurance & PF Administration Charges	<b>50,523</b>	39,916
Rent	<b>15,589</b>	15,549
Repairs		
Buildings	<b>12,001</b>	6,574
Machinery	<b>22,961</b>	22,269
Others	<b>14,942</b>	18,487
	<b>49,904</b>	47,330
Selling Expenses	<b>55,861</b>	57,176
Commission	<b>5,471</b>	1,282
Cash Discount	<b>2,471</b>	5,335
Additional Sales Tax	<b>1,133</b>	
Maintenance of Vehicles	<b>1,219</b>	1,597
Insurance	<b>4,621</b>	6,006
Rates and Taxes	<b>7,036</b>	15,267
Advertisement	<b>3,964</b>	3,719
Printing & Stationery	<b>9,348</b>	7,499
Travelling Expenses	<b>50,013</b>	39,817
Postage, Telegrams and Telephones	<b>14,474</b>	14,069
Auditors Remuneration	<b>3,436</b>	3,439
Tech. Consultancy & Professional Charges	<b>29,214</b>	21,288
Royalty	-	-
Bank Charges (Includes difference in exchange of Rs.2.992 million Dr previous year Rs.0.39 million)	<b>33,489</b>	26,192
Subscription to Technical Associations, Journals and Magazines	<b>1,238</b>	1,319
Computer hire, Software development and data preparation charges	<b>298</b>	566
Manufacturing expenses and sundries	<b>8,365</b>	4,454
Bad debts written off	<b>23,942</b>	26,767
Less : Provision for Doubtful debts withdrawn	<b>22,822</b>	24,149
	<b>1,120</b>	2,618
Donations	-	10
Directors' sitting fees	<b>355</b>	350
Remuneration to Whole-time Directors	<b>5,889</b>	5,083
Proportionate Share of expenses of Jointly Controlled Entity	<b>14</b>	46
	<b>867,141</b>	761,614
<b>SCHEDULE "M"</b>		
<b>DEPRECIATION, AMORTISATION AND PROVISIONS</b>		
1. Depreciation	<b>106,185</b>	87,594
2. Amortisation of Voluntary Retirement Scheme	<b>24,072</b>	34,059
3. Provision for uninstalled machinery	<b>60,800</b>	-
4. Provision for inventories	-	17,825
5. Provision for doubtful debts	<b>71,770</b>	-
6. Provision for Doubtful Debts/ Advances (Net)	<b>31,047</b>	-
7. Diminution in value of Investments	<b>2,380</b>	-
8. Warranty claim	<b>7,759</b>	5,019
9. Proportionate Share of depreciation of Jointly Controlled Entity	-	127
	<b>304,013</b>	144,624

**SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULE "N"**

**Notes attached to and forming part of the Balance Sheet and Profit & Loss Account**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**1.1 BASIS OF CONSOLIDATION**

The financial statements of Kaytee Switchgear Limited, a subsidiary and Kirloskar ( Malaysia) Sdn. Bhd an associate used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. year ended March 31<sup>st</sup>, 2007. The financial statements of KEASI Robicon Industrial System Ltd (year ended 30<sup>th</sup> June 2006) and an associate used are as received from the respective companies and are unaudited. Intra group balances (except in respect of transactions between the company and Kaytee Switchgear Limited) have not been reconciled and differences to the extent identified have been treated as intra group suspense, pending reconciliation.

**Basis of Presentation of Financial Statements**

The financial statements of the Company and its subsidiary Kaytee Switchgear Limited have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The accounting policies adopted by KEASI Robicon Industrial Systems Private Limited and an associate has not been compared and harmonized with the accounting policies used by the company. The proportion of items in the consolidated financial statements to which different accounting policies have been applied are not ascertained.

**1.2 PRINCIPLES OF CONSOLIDATION**

- a) The financial statement of the parent company and its subsidiary has been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions.
- b) The Company's interest in KEASI Robicon Systems Ltd, a jointly controlled entity has been accounted as per the proportionate consolidation method envisaged in Accounting Standard 27. In terms of this method, the venture's share of assets, liabilities, Income and Expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements.
- c) Investment in an associate company has been accounted under the Equity method as per Accounting Standard 23. Under the Equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition change in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.
- d) In the absence of necessary information, unrealized profits and losses from intragroup transactions either relating to the year or previous years has not been eliminated.
- e) KEC North America Inc, an erstwhile subsidiary has been dissolved during the year. The last financial statements available relate to calendar year 2005. Further the difference between liabilities and assets as per the said financial statements has been withdrawn and credited to profit and loss account consequent to winding up.

**ACCOUNTING POLICIES FOLLOWED BY THE COMPANY AND KAYTEE SWITCHGEAR LIMITED:**

**1.3 ACCRUAL SYSTEM OF ACCOUNTING :**

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

**1.4 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.

**1.5 INVESTMENTS :**

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

**1.6 INVENTORIES :**

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

**1.7 DEPRECIATION :**

- a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, which ever is higher on assets as on 31<sup>st</sup> 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 1<sup>st</sup> 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.

## CONSOLIDATED FINANCIAL STATEMENTS

### 1.8 AMORTISATION OF EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME:

- 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.
- Liability in respect of other Voluntary Retirement Schemes providing for payment of benefits in installments over specified periods is amortised over 5 years.

### 1.9 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.

### 1.10 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.

### 1.11 REVENUE RECOGNITION:

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

### 1.12 RETIREMENT BENEFITS:

Contribution to Gratuity and Superannuation funds has been based on actuarial valuation/ assessment of liability by Life Insurance Corporation of India.

### 1.13 FOREIGN CURRENCY TRANSLATION OF 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.

### 1.14 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.

### 1.15 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.

### 1.16 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.

Details of the accounting policies followed by an associate and a jointly controlled entity have not been furnished.

## 2. The Consolidated Financial Statement (CFS) presents the consolidated accounts of Kirloskar Electric Company Limited with its following Subsidiary, Joint Venture and Associate:

Name of the Company	Ownership Percentage	Country of Incorporation
<b>SUBSIDIARY:</b>		
Kaytee Switchgear Limited	76.34 %	India
<b>ASSOCIATE:</b>		
Kirloskar (Malaysia) Sdn. Bhd	40.00 %	Malaysia
<b>JOINT VENTURE:</b>		
KEASI Robican Systems Limited	50.00 %	India

3. a) CONTINGENT LIABILITIES OF THE COMPANY AND KAYTEE SWITCHGEAR LIMITED	As at 31.03.2007	As at 31.03.2006
	Rs. (000's)	Rs. (000's)
i) Guarantees / Counter guarantees given on Import and Sale contracts etc.	<b>96,795</b>	74,004
ii) Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	<b>Not Ascertainable</b>	Not Ascertainable
iii) Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	<b>15,395</b>	6,076
iv) Bill discounted with bank	-	33,744
v) Sales tax demanded under appeal in branches of the Company	<b>8,309</b>	8,173
vi) 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)	<b>246,098</b>	247,318
vii) Interest and penalty if any, on account of delays/default in payment of statutory/ suppliers dues. The Company has made waiver petition where ever such interest/ penalty has been levied.	<b>Not Ascertainable</b>	Not Ascertainable
viii) Resale tax demanded and under appeal.	<b>52,133</b>	-

## KIRLOSKAR ELECTRIC COMPANY LTD.

	<b>As at 31.03.2007</b>	As at 31.03.2006
	<b>Rs. (000's)</b>	Rs. (000's)
ix) The Company has furnished guarantees for the credit facilities of Rs. 128.50 million (Previous year: Rs.128.50 million) interest and other costs to Kirloskar Batteries Private Limited (KBPL) 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.		
x) Arrears of dividend on cumulative preference shares (including tax thereon). In terms of the scheme of arrangement approved by the Honorable High Court of Karnataka, dividend on the said preference shares with effect from October 1 <sup>st</sup> , 2001 are payable cumulatively out of the profits of the company and the said dividend for the period from October 1 <sup>st</sup> , 2001 to September 30 <sup>th</sup> , 2003 are to be funded and converted to Zero Coupon Debentures (ZCDs). The Board of Directors vide their meeting held on September 26 <sup>th</sup> , 2003 allotted ZCD's to an extent of Rs. 2.345 crores representing dividends on the said Preference Shares from October 1 <sup>st</sup> , 2001 to September 30 <sup>th</sup> , 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 <sup>st</sup> , 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 <sup>th</sup> , 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.	<b>61,832</b>	50,684
xi) Kirloskar Electric Company Ltd. had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs. 3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The Director General of Foreign Trade has granted extension of time till 24/3/2006 to fulfill export obligations. The Company has sought further extension of time to honour its commitments. The shortfall in export performance as of 31 <sup>st</sup> March 2007 in relation to commitments is Rs.3577.38 million.	<b>182,722</b>	S182,722
xii) Sales tax liability in respect of pending assessments	<b>Not ascertainable</b>	Not ascertainable
xiii) 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.	<b>Not ascertainable</b>	Not ascertainable
xiv) Penal damages levied by the Regional Provident fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances.	<b>9,154</b>	9,154
(xv) Income tax demand under appeal 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.	<b>132,911</b>	-
3. b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) Rs. 41.284 million (Rs.20.284 million).		
<b>4. SECURED LOANS OF THE COMPANY AND KAYTEE SWITCHGEAR LIMITED:</b>		
a) 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.	<b>29 RM 2</b>	410 RM 35

## CONSOLIDATED FINANCIAL STATEMENTS

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- b) Working Capital facilities from Consortium Banks are secured by first pari passu charge on current assets and second pari passu charge on certain fixed assets. All the facilities are guaranteed by Chairman & Managing Director of the Company.
- Term Loans from banks and financial institutions are secured by first pari passu charge on certain fixed assets along with amount due on debentures to Sundaram Finance Limited and second pari passu charge on current assets.
- Default in payments of installment and interest thereon to certain lenders shall result in a right to convert the whole or part of the outstanding into fully paid equity shares of the Company at par.
- c) Zero Coupon Debentures to IDBI and Sundaram Finance Limited – First pari passu charge on fixed assets along with banks and financial institutions as referred in b above.
- d) Term loan from a Company – First pari passu charge on residential property at Nandidurg Road, Bangalore. Charge pending to be registered with the Registrar of Companies.
5. a. The order of the Honourable 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 interalia involved restructuring of liabilities to banks and financial institutions and transfer of the rotating machines group to Kaytee Switchgear Limited (KSL).
- b. Few banks that 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. There are also differences between interest charged by certain banks and institutions and that accounted by the Company. Accordingly, the balances owed to such banks/institutions as at 31<sup>st</sup> March 2007 are as per books and are subject to confirmation/reconciliation.
- c. 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.
6. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.
7. Current assets, Loans & Sundry Advances include: -
- a) Rs. 53.875 million (Rs.24.877 million) due from private limited Companies in which the directors are interested.
- b) Rs. 56.276million (Rs.50.658 million) being rescheduled advances from certain companies. The management is confident of recovering these dues and no provision is considered necessary. Some of these companies have incurred losses
8. The company is in the process of compiling necessary data regarding the status of the creditors under Micro, Small & Medium Enterprises Development Act, 2006. Consequently, the disclosures under this Act have not been furnished. However the amount due to small-scale industries, which is more than 30 days, is Rs.316.032 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account.
9. Confirmation of balances from certain sundry debtors / creditors, deposit accounts, loans and advances are awaited. Accounts of certain sundry debtors, loans and advances, deposits/ margin money with banks, collector of customs and creditors, are under review and reconciliation. Provision for doubtful debts / advances has been made to the extent ascertained. Adjustments if any, will be made on completion of review/reconciliation. Effect on revenue is not expected to be material as per management.
10. a. The accounts of one of the units of the Company have been maintained on SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters and upload of balances when this unit went live and of two units whose operations were merged by the Company in prior years with the unit referred to above, have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes and have been corrected to the extent identified by the Company. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
- b. The Company has initiated steps to bring the valuation at work in progress and finished goods in line with Accounting Standard - 2 at certain manufacturing units. However, the process followed in determination of cost and net realizable value needs to be refined to bring it in line as required by the said standard. The inventory in Tumkur and Mysore units are in line with the said standard.
11. a) The Company holds unquoted investments with book value of Rs.1.972 million in Kirsons Trading Pte. Ltd. and Kirloskar Kenya Limited. Current Assets, Loans & Advances include Rs.82.313 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, 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.
12. 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.

## KIRLOSKAR ELECTRIC COMPANY LTD.

- 13.** 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.15.589 million (Rs.15,549 million).
- 14.** 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
Salary	<b>4,834</b>	4,063
Contribution to Provident & Other Funds	<b>1,055</b>	1,020
<b>TOTAL</b>	<b>5,889</b>	5,083

Liability in respect of accrued gratuity is not ascertainable separately.

### 15. RELATED PARTIES DISCLOSURE :

Sl.No	Name of the related party	Relationship
1.	Mr. Vijay R. Kirloskar Mr. P. S. Malik Mr. D. R. Venkatesha Murthy (upto 10.10.2006) Mr. L. G. Madhusudhan Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar	Key management personnel and their Relatives.
2.	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 Power Equipment Limited Kirloskar Software Services	Enterprises over which key management personnel and their relatives are able to exercise significant influence

### DETAILS OF TRANSACTIONS:

Nature of transactions	Key management personnel and Relatives	Enterprises over which their key management personnel and their relatives are able to exercise significant influence	TOTAL
Purchases of goods/services	<b>Nil</b>	<b>92,271</b> (39,782)	<b>92,271</b> (39,782)
Sale of goods	<b>Nil</b>	<b>31,155</b> (2,925)	<b>31,155</b> (2,925)
Rent received	<b>Nil</b>	<b>2,442</b> (2,443)	<b>2,442</b> (2,443)
Investments as on 31.03.2007	<b>Nil</b>	<b>8,289</b> (2,380)	<b>8,289</b> (2,380)
Amount due to Company as at 31.3.2007	<b>2,700</b> (2,700)	<b>115,620</b> (65,679)	<b>118,320</b> (68,379)
Amount due from Company as at 31.3.2007	125 (90)	<b>20,401</b> (223)	<b>20,526</b> (313)
Rent Paid	<b>1,340</b> (540)	<b>Nil</b>	<b>1,340</b> (540)
Remuneration	<b>11,513</b> (9,338)	<b>Nil</b>	<b>11,513</b> (9,338)

## CONSOLIDATED FINANCIAL STATEMENTS

### 16 SEGMENT REPORTING:

The Company has identified the reportable segments as Power Distribution, Rotating Machine Group, 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
	Power Distribution	Rotating Machines		
1. SEGMENT REVENUES				
SALES	<b>1,735,300</b> (1,209,950)	<b>4,008,817</b> (2,798,000)	<b>528,519</b> (365,428)	<b>6,272,636</b> (4,337,378)
TOTAL	<b>1,735,300</b>	<b>4,008,817</b>	<b>528,519</b>	<b>6,272,636</b>
Less: Inter segment revenues	-	-	-	-
Net Sales / Income from operations	<b>1,735,300</b> (1,209,950)	<b>4,008,817</b> (2,798,000)	<b>528,519</b> (365,428)	<b>6,272,636</b> (4,337,378)
2. SEGMENT RESULTS: PROFIT / (LOSS)	<b>254,586</b> (114,400)	<b>437,450</b> (33,109)	<b>180,842</b> (74,768)	<b>872,877</b> (224,275)
Before Taxation and Interest				
Less: Interest				<b>135,632</b> (116,280)
Less: Depreciation & Amortisations				<b>304,013</b> (144,624)
3. UNALLOCABLE EXPENDITURE				<b>161,079</b> (60,299)
4. OTHER INCOME (INCLUDING EXTRAORDINARY ITEMS)				<b>124,188</b> (40,451)
5. SHARE OF PROFITS/ (LOSS) IN ASSOCIATES (NET)				<b>117</b> (10,886)
6. SHARE OF PROFIT/ (LOSS) IN JOINT VENTURE				<b>15</b> (-155)
7. MINORITY INTEREST SHARE IN PROFITS/ (LOSS)				<b>33,411</b> (17051)
Less: PROVISION FOR TAX (NET) (INCLUDING FBT)				21,500 (6800)
Total Profits /(Loss) After Taxation				<b>341,562</b> (34,475)
8. SEGMENT ASSETS	<b>543,689</b> (300,420)	<b>2,381,805</b> (905,683)	<b>248,867</b> (202,761)	<b>3,174,361</b> (1,408,864)
9. UNALLOCABLE ASSETS				<b>1,007,176</b> (2,299,174)
10. SEGMENT LIABILITIES	<b>344,459</b> (196,593)	<b>665,922</b> (685,366)	<b>110,595</b> (92,235)	<b>1,120,976</b> (974,194)
11. UNALLOCABLE LIABILITIES				<b>2,289,770</b> (2,472,323)
12. CAPITAL EXPENDITURE	<b>2,784</b> (2,421)	<b>20,623</b> (163,757)	<b>371</b> (6,218)	<b>23,778</b> (172,396)



# KIRLOSKAR ELECTRIC COMPANY LTD.

## 17. EARNINGS PER SHARE :

Rs. (000's)

PARTICULARS	31.03.2007	31.03.2006
<b>BASIC E.P.S:</b>		
AFTER EXTRAORDINARY ITEMS		
Profit for the year after tax	<b>331,593</b>	34,049
Less: Preference Dividend including dividend tax	<b>9,828</b>	9,578
	<b>321,765</b>	24,471
Weighted No. of Equity Shares for Basic EPS	<b>31,268,817</b>	31,268,817
Basic EPS (Rs.)	<b>10.29</b>	0.78
BEFORE EXTRAORDINARY ITEMS		
Profit for the year after tax	<b>240,763</b>	34,049
Less: Preference Dividend including dividend tax	<b>9,828</b>	9,578
	<b>230,935</b>	24,471
Weighted No. of Equity Shares for Basic EPS	<b>31,268,817</b>	31,268,817
Basic EPS (Rs.)	<b>7.39</b>	0.78
<b>DILUTED E.P.S:</b>		
AFTER EXTRAORDINARY ITEMS		
Profit for the year after tax	<b>331,593</b>	34,049
Less: Preference Dividend including dividend tax	<b>9,828</b>	9,578
	<b>321,765</b>	24,471
No. of Equity Shares for Diluted EPS	<b>33,268,817</b>	33,268,817
Diluted EPS (Rs.)	<b>9.67</b>	0.74
BEFORE EXTRAORDINARY ITEMS		
Profit for the year after Tax	<b>240,763</b>	34,049
Less: Preference Dividend including dividend tax	<b>9,828</b>	9,578
	<b>230,935</b>	24,471
No. of Equity Shares for Diluted EPS	<b>33,268,817</b>	33,268,817
Diluted EPS (Rs.)	<b>6.94</b>	0.74

## 18. Deferred Tax Calculation:

	As at 31.03.2007	As At 31.03.2006
Liability relating to depreciation	<b>234,019</b>	249,612
Asset relating to Disallowance and Unabsorbed depreciation under the Income Tax Act, 1961 (recognized only to the extent of net liability)	<b>234,019</b>	249,612
Net amount	<b>Nil</b>	Nil

Details of deferred tax asset/liabilities of an associate & a Jointly controlled entity are not available.

19. 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:

Rs in 000's

PARTICULARS	Warranty Claims	Towards Wage Settlement	Leave Encashment
Balance outstanding at the beginning of the year	19,218	27,500	19,137
Provision for the year (net)	7,759	27,500	3,525
Balance outstanding at the end of the year	26,977	-	22,662

20. 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.

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

**SHYAM RAMADHYANI**  
Partner

Place : Bangalore

Date : 25<sup>th</sup> June 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

**P. S. Malik**  
Joint Managing Director

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2007

(000's)

	CURRENT YEAR	PREVIOUS YEAR
<b>A. CASH FLOW FROM OPERATION ACTIVITIES</b>		
PROFIT BEFORE TAX AND AFTER EXTRAORDINARY ITEMS	<b>363,062</b>	41,275
DEPRECIATION	<b>106,185</b>	87,721
AMORTISTION & PROVISIONS	<b>35,356</b>	44,911
PROFIT FROM SALE OF FIXED ASSETS (NET)	<b>(605)</b>	(6,825)
PROVISION FOR UNINSTALLED MACHINERY	<b>60,800</b>	
REMISSION OF LOAN LIABILITY	<b>(90,830)</b>	-
INTEREST AND DIVIDEND NET (NET)	<b>122,388</b>	110,329
	<b>233,294</b>	236,136
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<b>596,356</b>	277,411
ADJUSTMENT FOR		
TRADE & OTHER RECEIVABLES	<b>(342,962)</b>	(332,696)
INVENTORIES	<b>(5,056)</b>	(133,690)
TRADE & OTHER PAYABLES	<b>100,263</b>	494,627
	<b>(247,755)</b>	28,241
	<b>348,601</b>	305,652
CASH GENERATED FROM OPERATIONS		
INTEREST PAID	<b>(135,632)</b>	(116,788)
DIRECT TAXES PAID	<b>(12,293)</b>	(2,391)
	<b>(147,925)</b>	(119,179)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>200,676</b>	186,473
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	<b>(23,778)</b>	(172,396)
DECREASE IN THE VALUE OF INVESTMENT	<b>2,263</b>	3,781
SALE OF FIXED ASSETS	<b>1,041</b>	20,303
INCREASE IN CWIP	<b>(5,807)</b>	67,060
INCREASE IN MINORITY INTEREST	<b>33,411</b>	144,911
GOODWILL ON CONSOLIDATION	-	(11,451)
SHARE APPLICATION MONEY	<b>60,000</b>	
INTEREST RECEIVED	<b>13,244</b>	5,951
NET CASH USED IN INVESTING ACTIVITIES	<b>80,374</b>	58,159
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
REMISSION OF LOAN LIABILITY	<b>90,830</b>	-
REPAYMENT OF TERM BORROWINGS	<b>(94,037)</b>	(308,480)
DIVIDEND PAID	-	(349)
NET CASH USED IN FINANCING ACTIVITIES	<b>277,843</b>	(64,197)
<b>D. NET INCREASE IN CASH</b>		
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<b>171,549</b>	235,746
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<b>449,392</b>	171,549

As per our report of even date

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

Chartered Accountants

**SHYAM RAMADHYANI**

Partner

Place : Bangalore

Date : 25<sup>th</sup> June, 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSAR**

Chairman & Managing Director

**P. Y. MAHAJAN**

Associate Vice President &  
Company Secretary

**P. S. MALIK**

Joint Managing Director

**R. K. GUPTA**

Vice President & Chief Financial Officer

# KIRLOSKAR ELECTRIC COMPANY LTD.

## STATEMENT REGARDING SUBSIDIARY COMPANIES

in 000's

Pursuant to Section 212(1),(3) and (5) of the Companies Act, 1956

1. Name of the Subsidiary Company	Kaytee Switchgear Limited
2. Financial year of the subsidiary ended on	31.03.2007
3. Holding Company's Interest	15619512 Equity Shares of Rs.10 each at a premium of Rs.23.88 per share and 50,00,000 Equity Shares of Rs.10/- each at par. 76.34%
4. Net Aggregate amount of Subsidiary's Profits /(Losses) not dealt with in the Holding Company's Accounts :	
(i) Profit/(Loss) for the Subsidiary's financial Year ended 31.03.2007	141216
(ii) Profits/(Losses) for its Previous financial Years	(652796)
Net Aggregate of Subsidiary's Profit/(Losses) Dealt with in the Holding Company's Accounts:	NIL
(i) Profit/(Loss) for the Subsidiary's financial Year ended 31.03.2007	NIL
(ii) Profits/(Losses) for its Previous financial Years	NIL
5. Changes in the interest of the Subsidiary Company between the end of the financial Year of the Subsidiary and the financial Year of the Company.	NIL
6. Material changes between the end of the financial year of the subsidiary and the financial year of the Company in respect of :	NIL
Subsidiary's fixed assets	
Subsidiary's investments	
– Money lent by the subsidiary	
– Money borrowed by the subsidiary for the Purpose other than that of meeting current liabilities	

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Managing Director

**P. S. MALIK**  
Joint Managing Director

**P. Y. MAHAJAN**  
Associate Vice President &  
Company Secretary

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

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007



**KAYTEE SWITCHGEAR LIMITED**

## KAYTEE SWITCHGEAR LIMITED

### BOARD OF DIRECTORS

**Vijay R. Kirloskar**  
*Chairman & Whole-time Director*

**A. S. Lakshmanan**

**S. Doreswamy**  
*Nominee ICICI Bank Ltd.,*

**V. S. Raju**

**L. G. Madhusudhan**

**G. M. Prabhu**

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### PRESIDENT & CEO

**P. S. Malik**

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### COMPANY SECRETARY

**Y. Venkatesh**

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### AUDITORS

**M/s. B. K. Ramadhyani & Co.,**  
Bangalore

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### BANKERS

Bank of Baroda  
Bank of India  
Hongkong & Shanghai Banking Corporation Ltd.  
State Bank of India  
State Bank of Mysore  
State Bank of Travancore

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### REGISTERED OFFICE

Industrial Suburb,  
Rajajinagar,  
Bangalore - 560 010

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### FACTORIES

Survey No. 16, Govenahalli, Thyamagondlu  
Hobli, Nelamangala Taluk,  
Bangalore Rural District.

Gokul Road, Hubli

Hirehalli Industrial Area, Hirehalli, Tumkur.

Jalahalli, Bangalore.

J.D. Royalite Building, Tumkur Road - Bangalore.

**DIRECTORS' REPORT**TO THE SHAREHOLDERS FOR THE YEAR ENDING 31<sup>ST</sup> MARCH 2007.

To  
The Shareholders

Your Directors present the Twenty third Annual Report of the Company with the Audited Accounts for the year ending 31<sup>st</sup> March, 2007.

**WORKING RESULTS**

The Company's working has resulted in

	<b>for the year ended 31.3.2007 Rs. in million</b>	for the year ended 31.3.2006 Rs. in million
Gross profit including Extra ordinary item Amounting to	<b>371.544</b>	84.260
Less : Provision towards:		
- Deprecation & other Provisions	<b>225.328</b>	80.674
- Taxation	<b>5.000</b>	<u>2.800</u>
Profit for the year	<b>141.216</b>	0.786

**OPERATIONS**

During the year under report, your Company has achieved a turnover of Rs. 3310.97 million (previous year Rs. 2445.42 million). The turnover has increased by 35% as compared to previous year. The Company has made a profit of Rs. 141.2 million (previous year Rs. 786 million).

**OUTLOOK**

Industry sectors where the Company's products find application like oil & gas, steel, cement, aluminium, paper, sugar, mining, textile, automobile, power generation, petrochemical plants, telecom, railways, defence etc have increased their capacity utilization and are now looking at future demand which will further boost the market for the products of the Company. With the manufacturing sector showing robust growth your Company is expected to achieve even better performance during the current financial year 2007-08.

Your Company is having orders in hand valued at Rs. 1900 million.

**FIXED DEPOSITS**

The Company has not invited any fixed deposits.

**PARTICULARS OF EMPLOYEES**

As required under Section 217 (2A) of the Companies Act, 1956, a statement of employees is given in the Annexure which forms a part of this Report.

**ENVIRONMENT, SAFETY AND ENERGY CONSERVATION**

As required by the Companies (Disclosure of Particulars in the Report of Board 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.

**DIRECTORS**

Mr. G.M.Prabhu who was co-opted as Additional Director during the year under review holds office upto the date of the ensuing Annual General Meeting and being eligible, has been proposed for appointment. In accordance with Company's Articles of Association Mr. A.S.Lakshmanan retires by rotation and being eligible offers himself for re – appointment.

**CORPORATE GOVERNANCE**

A brief report on Corporate Governance is as under.

**BOARD OF DIRECTORS****COMPOSITION**

The Board comprises of six Directors, including three Independent Directors, two Non Executive Directors and an Executive Chairman.

## TWENTYTHIRD ANNUAL REPORT 2006 -2007

Name of the Director	Category	No. of Directorships held in other companies	No of Board Committee Memberships held in other companies
Mr Vijay R. Kirloskar	Executive Chairman	8	1
Mr A.S.Lakshmanan	Independent	5	7
Mr. S.Doreswamy	Independent	6	7
Prof V.S.Raju	Independent	2	4
Mr L.G.Madhusudhan	Non-Executive	1	-
Mr.G.M.Prabhu*	Non-Executive	-	-

Mr.G.M.Prabhu has been co opted as an Additional Director in the Board Meeting held on 26<sup>th</sup> October,2006.

The Company did not have any pecuniary relationships in transactions with the non- executive Directors during the year under review except for payment of sitting fees for meetings of Board/ Committee attended by them and reimbursement of expenses incurred, if any, for attending the said meetings.

During the year under review, four Board Meetings were held. The meetings were held on 13/06/06, 24/07/06, 26/10/06 and on 26/02/07.

Attendance of Directors at Board Meetings and at the Annual General Meeting.

Name of the Director	No. of Board Meetings attended	Whether attended the AGM held on September 25,2006
Mr. Vijay R. Kirloskar	4	Yes
Mr. A.S.Lakshmanan	4	Yes
Mr S.Doreswamy	4	No
Prof. V.S.Raju	2	No
Mr. L.G.Madhusudhan	4	Yes
Mr. G.M.Prabhu *	2	NA

\* Mr.G.M.Prabhu has been co-opted as an Additional Director in the Board Meeting held on 26<sup>th</sup> October, 2006.

### Committees of the Board

#### (I) AUDIT COMMITTEE

The Audit Committee has been constituted as per section 292 A of the Companies Act, 1956. The terms of reference include:

- \* Overseeing financial reporting process.
- \* Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- \* Approving internal audit plans and reviewing efficacy of the function.
- \* Discussion and review of periodic audit reports, and
- \* Discussions with external auditors about the scope of audit including the observations of the auditors.

To have full access to information contained in the records of the Company and external professional advice if any.

Minutes of the meetings of the Audit Committee are circulated to members of the committee and the Board is kept apprised.

#### Composition and Attendance

During the year 2006-07, five meetings of the Audit Committee were held: 13<sup>th</sup> June,2006, 24<sup>th</sup>July,2006, 26<sup>th</sup>October, 2006,18<sup>th</sup> January 2007 and on 26<sup>th</sup> February, 2007.

Name of the Member	No. of Meetings attended
Mr A.S.Lakshmanan	5
Mr Vijay R. Kirloskar	5
Mr. S.Doreswamy	5
Prof. V.S.Raju	2
Mr L.G.Madhusudhan	5



## KAYTEE SWITCHGEAR LIMITED

Members of the Audit Committee have requisite financial and management expertise and have held or hold similar positions in other reputed organisations.

The Statutory Auditors, Internal Auditor and Chief Financial Officer are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

### REMUNERATION COMMITTEE

The Remuneration Committee consists of following members

1. Mr. A.S.Lakshmanan - Chairman
2. Mr. Vijay R.Kirloskar - Member
3. Mr S.Doreswamy - Member
4. Prof V.S.Raju - Member

Terms of Reference of the Remuneration Committee include:

- \* To recommend to Board the remuneration of executive/non executive directors;
- \* All elements of remuneration package of all the directors i.e salary, benefits, bonuses, stock options, pension etc.;
- \* Details of fixed components and performance linked incentives, along with the performance criteria;
- \* Service contracts, notice period, severance fees;
- \* To decide on the remuneration of Senior executives i.e. General Managers and above;
- \* The quorum for the meetings of the remuneration committee will be 3 (three) members personally present.
- \* The Chairman of the Remuneration Committee should be present at the Annual General Meeting.

### PATTERN OF EQUITY SHAREHOLDING AS ON 31.3.2007

Category	No of Shares	Percentage of shareholding
Kirloskar Electric Company Limited (Holding Company)	2,06,19,512	76.34
Directors & others (Individuals)	8,19,921	3.04
Banks	41,87,580	15.50
Financial Institutions, Mutual Fund, Insurance Companies	13,83,187	5.12
<b>TOTAL</b>	<b>2,70,10,200</b>	<b>100.00</b>

### GENERAL BODY MEETINGS

The last four meetings (AGMs) of the Company were held on the following dates, time and venue.

	Date	Time	Venue
19 <sup>th</sup> Annual General Meeting	Tuesday September 30,2003	11.00 AM	Corporate Office of Kirloskar Electric Company Limited, Malleswaram (West). Bangalore- 560 055
20 <sup>th</sup> Annual General Meeting	Wednesday, September 29 ,2004	3.00 PM	Corporate Office of Kirloskar Electric Company Limited, Malleswaram (West). Bangalore- 560 055
21 <sup>st</sup> Annual General Meeting	Wednesday September 28,2005	3.00 PM	No. 80/A, Industrial Suburb, 2 <sup>nd</sup> Stage, Yeshwanthpur, Bangalore – 560 022.
22 <sup>nd</sup> Annual General Meeting	Monday September 25,2006	11.00 AM	Corporate Office of Kirloskar Electric Company Limited, Malleswaram (West). Bangalore- 560 055

### PLANT LOCATION

#### Unit- I

Survey No. 16, Govenahalli,  
Thyamagondlu Hobli,  
Nelamangala Taluk,  
Bangalore Rural Distirct 562 123

#### Unit IV

Jalahalli,  
Bangalore -560 031.

#### Unit II

Gokul Road,  
Hubli – 580 030

#### Unit V

J.D.Royalite Building,  
Tumkur Road,  
Bangalore – 560 022.

#### Unit III

Hirehalli Industrial Area,  
Hirehalli, Tumkur - 572 168

**Address for correspondence :**

Post Box. No. 5554, Malleswaram West,  
Bangalore 560 055  
Phone: 23374865, 23376727  
Fax: 91-80-23377706

**MANAGEMENT DISCUSSION AND ANALYSIS:****OUTLOOK FOR THE COMPANY**

With the Indian Economy growing at a rapid pace and resurgence of several core industrial sectors the domestic market presents several opportunities. Your Company with its wide range of products is expected to perform better. The Company remains focussed in maximizing the operational efficiency and to attain highest standards of quality and production. The outlook is positive and the Company is optimistic of continued growth.

**PERFORMANCE**

During the year the Company has achieved a turnover of Rs. 3310.97 million as against Rs. 2445.42 million in the previous year. The profit before tax for the year is Rs. 141.2 million as against a profit of Rs. 786 million in the previous year. The Company has Rs.1900 million worth orders in hand.

**OPPORTUNITIES**

With significant investment taking place in all user industries for capacity augmentation there will be further demand for the products of the Company.

**RISKS AND CONCERNS**

Increase in competition resulting into pressure on price realization and the increasing prices of the Copper, Steel and other metals are some of the concerns to the Company.

**INTERNAL CONTROL SYSTEM**

The Company has adequate internal control systems commensurate with the size of the Company and the nature of business to ensure efficacy of operations and also to ensure that assets are safeguarded against loss.

**HUMAN RESOURCES**

The Company's Human Resource philosophy is to work towards building a strong performance driven culture with focus on accountability and responsibility at all levels. Enough independence is given to the employees to show higher level of competence and inculcate new and modern methodology of work and systems. Training and development of employees continues to be an area of prime focus for the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
- (ii) 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 31<sup>st</sup> March 2007 and of the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007.
- (iii) 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.
- (iv) The annual accounts have been prepared on a going concern basis.

**AUDITORS' REPORT**

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

**Para 5 of Auditors' Report:**

The SAP R/3 is an integrated system for materials, production, sales and financial accounting. Some mistakes have crept in while implementing the system. Most of the mistakes have been identified and the rectification is in progress. However, as the opening and closing stock of inventory is based on physical verification, the deficiency as apprehended on account of errors in SAP R/3 System will not have any impact on the accounts.

**Para No.7 of the Auditors' Report:**

The Company has initiated steps for implementation of AS-2 (valuation of Inventory) for work-in-progress and finished goods. However, this has no impact on the accounts. In respect of valuation of raw materials, stores and components the Company has followed AS -2.

Appropriate action has been taken to implement AS-5 (disclosure of prior period income and expenditure). However, prior period income/expenditure is insignificant and has no impact on the accounts.

Para No. 9 of the Auditors' Report:

(A&B) Majority of the Banks/Financial Institutions have given effect to the Scheme and the documentation in this regard has been completed. Few Banks/Institutions are yet to bifurcate the accounts. However, the Company has given effect to the Scheme of arrangement and the balances owed to such Banks/ Financial Institutions as at 31<sup>st</sup> March, 2007 are as per the books of the Company. The Company has taken up the matter with the respective Banks/Financial Institutions. The rectification is in progress.

C) The Company has been accounting for the interest payment made to Small Scale and Ancillary Industrial Undertakings as and when their accounts are settled. Necessary provisions to the extent required have been made in the outstanding liabilities.

Para 1 (b) of the Annexure to the Auditors' Report

The fixed asset register is maintained, updation of the same is under progress

Para 9 (a), (b) and (c) of the Annexure to the Auditors Report

Due to tight liquidity position there were some delays in remittance of statutory dues. However subsequently the same has been paid.

Para 9(a) (b) (c) of Annexure to the Auditors Report

The Company is making all efforts to pay all statutory dues intime, however, there are delays in payment of some of the statutory dues . With the improvement in the liquidity position the Company will ensure to pay the statutory dues on due dates.

## AUDITORS

Messers. B.K.Ramadhyan & Co. Chartered Accountants are the retiring Auditors. They are eligible for re-appointment. The required certificate to the effect that the re-appointment, if made, will be within the limit specified in Section 224 (1-B) of the Companies Act, 1956 has been received from M/s. B.K.Ramadhyan & Co.

## ACKNOWLEDGEMENT

The Directors place on record their appreciation of efforts of employees at all levels in contributing to the performance of the Company. 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 and Shareholders.

For and on behalf of the Board of Directors

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman & Whole-time Director

## **ANNEXURE TO THE DIRECTORS' REPORT**

Disclosure of particulars regarding conservation of energy and technology absorption

### **A. CONSERVATION OF ENERGY**

(a) Energy conservation measures taken:

1. Use of Solar energy.
2. Installed energy efficient motors to Lathes, Compressors & Grinding Machines.
3. Running of single Compressor for two shops by interconnecting airlines.
4. Feedback method of testing upto 1000 kW.

(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 (R&D)

- a 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.
- b AC Motor for REVA electric car.
- c CANNED pump motor 100 k W /20 k W 2pole /6 pole.
- d 500 k W Wind Generator.
- e New series of AC Motors for variable speed applications.

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

- (a) Quality improvement.
- (b) Process improvement resulting in higher production.
- (c) Enhanced design and product capability to achieve customer satisfaction.
- (d) Development of in-house skills for manufacture of high precision products.
- (e) Solution to critical problems.
- (f) Cost reduction.

### **3. FUTURE PLAN OF ACTION**

- (a) Applied research and value engineering.
- (b) Development of new processes.

### **4. EXPENDITURE ON R & D**

	(Rs. in million)
(a) Capital	Rs. Nil
(b) Recurring	Rs. 1.950
(c) Total	Rs. 1.950
(d) Total R & D expenditure as a percentage of total turnover	0.06%

### **5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

a. EFFORTS, IN BRIEF, MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

b. BENEFITS DERIVED AS A RESULT OF THE ABOVE EFFORTS,

- Enhanced Product range.
- Import substitution.
- Quality improvement.
- Product performance improvement and reliability.
- Better acceptability of products by customers.

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

NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a. The details of foreign exchange earnings and outgo are given below

	(Rs. In million)
(i) FOB value of goods exported (net) inclusive of sales within in India eligible of export incentives.	Nil
(ii) Dividend on shares (net of tax)	Nil
(iii) Repatriation of Profit	Nil
(iv) Others	2.454

b. Value of imports calculated on the CIF basis

	(Rs. in million)
(i) Raw materials	11.916
(ii) Components and spare parts	213.927
(iii) Capital goods	0.967

For and on behalf of the Board of Directors

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman & Whole-time Director

### Statement as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2007.

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

Name	:	Mr. P. S. Malik
(a) Age (Years)	:	61 years
(b) Designation and Nature of Duties	:	President & CEO
(c) Nature of employment	:	Contractual
(d) Remuneration Gross (Rs.)	:	Rs. 47,21,745
(e) Net (Rs.)	:	Rs. 33,24,912
(f) Qualification	:	P.U.
(g) Experience (Years)	:	37 years
(h) Date of commencement of employment	:	2003.12.23
(i) Last employment held	:	Indian Lead Limited, Thane

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

NIL

#### NOTE:

- Gross Remuneration includes salary, leave travel assistance, encashment of leave, if any, house rent allowances house rent paid, Company's contribution to Provident Fund and Superannuation Fund for the period and value of perquisites wherever applicable.
  - Net Remuneration is after income tax and professional tax deducted at source.
- Nature of employment is contractual. Other terms and conditions are as per the Rules and Regulations of the Company.
- He is not a relative of any director of the Company.
- There is no other employee who comes under the purview of above sub section.

For and on behalf of the Board of Directors

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Vijay R. Kirloskar**  
Chairman

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### CEO CERTIFICATION

We have reviewed financial statements and the cash flow statements for the year ended 31<sup>st</sup> March, 2007 and certify, to the best of our knowledge and belief, that:

- these statements present a true and fair view of the Company's affairs, and are in compliance with existing accounting standards, applicable laws and regulations;
- these statements do not contain any material untrue statement, or omit any material fact, or contain statements that might be misleading;
- no transactions entered into by the Company during the year were fraudulent, illegal;
- we have accepted responsibility for establishing & maintaining internal control for financial reporting.
- we have evaluated the effectiveness of the internal control systems of the Company and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, of which we are aware and have taken steps to rectify the same, wherever found;
- significant changes in internal control over financial reporting, as well as changes in accounting policies, have been intimated to the auditors and the Audit Committee, and been disclosed in the notes to the financial statements;

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**P. S. Malik**  
President & CEO

**AUDITORS' REPORT TO THE MEMBERS OF KAYTEE SWITCHGEAR LIMITED, BANGALORE**

We have audited the attached Balance Sheet of Kaytee Switchgear Limited, Bangalore as at 31<sup>st</sup> March, 2007, 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. *Subject to note 19(a) of schedule L, proper Books of Account as required by law have been maintained by the Company so far as it appears from our examination of those books.*
6. 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.
7. 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 notes 19(b) (Valuation of inventories) and 20. (non disclosure of prior period income/expenditure as required by AS 5) of Schedule L.*
8. On the basis of written representations received from directors as on 31<sup>st</sup> March 2007 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31<sup>st</sup> March 2007 from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
9. *Attention of the members is invited to the following:-*
  - A *Note 14 (b) of schedule L regarding balances with certain banks as per books being subject to reconciliation/confirmation, since such banks have not yet given proper effect to the scheme of arrangement under sections 391-394 of the Companies Act, 1956 approved by the honourable High Court of Karnataka,*
  - B *Notes 15 (a) of schedule L regarding debts / advances from certain companies of Rs.26.38 million where there are no regular recoveries/adjustments. We have relied on the representations of the management that the same is good of recovery. We cannot express any independent opinion in the matter and*
  - C *Note 17 of schedule L regarding non disclosure of requirements as referred to in the Micro, Small & Medium Enterprises Act, 2006 and the provision for interest payable, if any for delayed payments as per the said Act (effect on revenue is not ascertained)*
10. 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 5, 7 & 9 above and paragraphs 1, 2 & 4 of the annexure to this report and 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 31<sup>st</sup> March 2007
  - B In the case of the profit and loss account, of the profits 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

Place : Bangalore  
Date : 25<sup>th</sup> June, 2007

**Shyam Ramadhyani**  
Partner  
Membership number 200/19522

**ANNEXURE TO AUDITORS' REPORT**

(AS REFERRED TO IN PARA 3 OF OUR REPORT TO THE MEMBERS OF KAYTEE SWITCHGEAR 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 are subject to confirmation.*
- c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties and at port are subject to confirmation.*
- b. The procedures of physical verification of inventories followed by the management 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 the case of inventories of one of the unit and Work in Progress.* The discrepancies noticed on verification between the physical stocks and the book records were not material.
- d. 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 15 of schedule L are advances and not in the nature of loans.
4. *Subject to note 19 (a) of schedule L and 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 in respect of matters outlined in note 19(a) of schedule L, 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 not accepted any deposits from the public and as such the provisions of clause 4(vi) of the Order are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained, *subject to note 19(a) of schedule L.* We have not made a detailed review of the same to ensure their accuracy and completeness.
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 31.3.2007 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)*

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Remarks
The Karnataka Value Added Tax Act, 2003	Karnataka Value Added Tax	81,854,944 5,778,332	Up to 31.3.2006 April to August 2006	The company has requested for adjusting the same against the refunds due to its parent company

- 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 31<sup>st</sup> March, 2007 with the relevant authorities on account of disputes.



## KAYTEE SWITCHGEAR LIMITED

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the Amount Relates	Forum where dispute is pending
The Central Excise and Salt Act, 1944	Excise Demand	325,000	January 2004	Commissioner (Appeals), Bangalore
The Central Excise and Salt Act, 1944	Excise demand	30,112	April 1993	High Court of Karnataka
The Central Excise and Salt Act, 1944	Excise demand	129,023	March 2006	Central Excise and Service Tax Appellate Tribunal
The Karnataka State Sales Tax Act	Resale Tax demand	52,133,246	2003 – 05	High Court of Karnataka

10. In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth. In terms of Profit & Loss account prepared by the company, it has not incurred any cash losses during the 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 and financial institutions. The aggregate overdues to banks & financial institutions as at 31.03.2007 was of Rs.26.614 million and Rs.67.87 million respectively.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, no guarantees have been given by the company for loans taken by others from banks and financial institutions.
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 funds of Rs.303.22 million 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 and accrued interest which is to be converted to preference shares in terms of the restructuring scheme submitted by the company to banks and institutions has been considered as funds raised on long-term basis.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act during the year.
19. According to the information and explanations given to us, the Company has created securities in respect of issue of debentures to Sundaram Finance Limited to an extent of Rs. 40.84 million in terms of the scheme of arrangement approved by the honourable High Court of Karnataka under sections 391-394 of the Companies Act 1956.Amount outstanding as on 31st March 2007 is Rs.9.528 million.
20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes a material misstatement to the financial statement have been noticed or reported during the year.

B. K. Ramadhyani & Co.,  
 4B, Chitrapur Bhavan  
 8th main, 15th cross, Malleswaram,  
 Bangalore - 560 055  
 Date : 25<sup>th</sup> June 2007

For B. K. RAMADHYANI & CO.  
 Chartered Accountants

**Shyam Ramadhyani**  
 Partner  
 Membership number 200/19522

**TWENTYTHIRD ANNUAL REPORT 2006 -2007**

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	Schedule	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
a) Capital	A	387,777	387,777
b) Reserves & Surplus	B	440,000	440,000
		<b>827,777</b>	<b>827,777</b>
<b>LOAN FUNDS</b>			
a) Secured Loans	C	879,770	1,083,767
b) Unsecured Loans	D	39,406	52,216
		<b>919,176</b>	<b>1,135,983</b>
<b>TOTAL</b>		<b>1,746,953</b>	<b>1,963,760</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	E	1,662,028	1,644,746
b) Less : Depreciation		433,109	336,084
c) Net Block		<b>1,228,919</b>	<b>1,308,662</b>
d) Capital Work in progress (At cost) / machinery at port		61,200	55,393
Less: Provision for diminution in value		17,800	-
		<b>43,400</b>	<b>55,393</b>
		<b>1,272,319</b>	<b>1,364,055</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Inventories	F	304,825	311,533
b) Sundry Debtors		670,946	676,820
c) Cash & Bank Balances		35,176	31,510
d) Loans & Advances		125,230	139,830
		<b>1,136,177</b>	<b>1,159,693</b>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
a) Current Liabilities	G	1,130,546	1,182,322
b) Provisions		42,577	30,462
		<b>1,173,123</b>	<b>1,212,784</b>
<b>NET CURRENT ASSETS</b>		<b>(36,946)</b>	<b>(53,091)</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>		<b>511,580</b>	<b>652,796</b>
<b>TOTAL</b>		<b>1,746,953</b>	<b>1,963,760</b>
<b>NOTES ON ACCOUNTS</b>			
<b>BALANCE SHEET ABSTRACT &amp; COMPANY'S GENERAL BUSINESS PROFILE</b>			
	L		
	M		

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

As per our report of even date  
**For B.K. RAMADHYANI & CO.**  
 Chartered Accountants

**SHYAM RAMADHYANI**  
 Partner

Place : Bangalore  
 Date : 25<sup>th</sup> June 2007

For and on behalf of Board of Directors  
**VIJAY R. KIRLOSKAR**  
 Chairman & Whole-time Director

**Y. VENKATESH**  
 Company Secretary

**P. S. MALIK**  
 President & CEO

**L.G. MADHUSUDHAN**  
 Director

**PRALHAD P. KATTI**  
 Deputy General Manager (Finance)

# KAYTEE SWITCHGEAR LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	Schedule	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales		3,822,732	2,819,340
Excise Duty		511,757	373,923
		<b>3,310,975</b>	2,445,417
Other Income	H	5,535	3,952
Profit on Sale of Fixed Assets		-	618
<b>TOTAL</b>		<b>3,316,510</b>	<b>2,449,987</b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials, Stores, Spares parts & Components and purchasing for Trading	I	2,347,062	1,728,102
Operating and Other Expenses	J	579,438	498,294
Plant relocation expenses		-	41,082
Interest and Finance Charges			
On Fixed Loans		65,423	71,665
On Other Accounts		36,309	26,584
		<b>101,732</b>	98,249
Loss on Sale of Fixed Assets		10	-
Depreciation and Provisions	K	225,328	80,674
		<b>3,253,570</b>	2,446,401
Less : Expenses Capitalised		252	-
<b>TOTAL</b>		<b>3,253,318</b>	<b>2,446,401</b>
<b>PROFIT BEFORE TAX &amp; EXTRAORDINARY ITEMS</b>		<b>63,192</b>	3,586
Add: Extraordinary income - remission of liability		83,024	-
		<b>146,216</b>	3,586
Less: Provision for Fringe Benefit Tax		5,000	(2,800)
<b>PROFIT FOR THE YEAR</b>		<b>141,216</b>	786
Add: Loss brought forward from Previous Year		652,796	653,582
Balance of Loss Carried to Balance Sheet		<b>511,580</b>	<b>652,796</b>
Basic and Diluted Earnings Per Share (face value Rs 10/- per share) - Rupees			
Before considering extraordinary items		1.79	0.01
After considering extraordinary items		4.86	0.01
Number of Weighted Average Equity Shares		27,010,200	24,510,200

NOTES ON ACCOUNTS L

BALANCE SHEET ABSTRACT &

COMPANY'S GENERAL BUSINESS PROFILE M

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

**SHYAM RAMADHYANI**  
Partner

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**Y. VENKATESH**  
Company Secretary

**P. S. MALIK**  
President & CEO

**L.G. MADHUSUDHAN**  
Director

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)

Place : Bangalore  
Date : 25<sup>th</sup> June 2007

## TWENTYTHIRD ANNUAL REPORT 2006 -2007

### SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SCHEDULE "A"</b>		
AUTHORISED :		
1,400,000 Preference Shares of Rs. 100/- each	140,000	140,000
28,000,000 Equity Shares of Rs. 10/- each	280,000	280,000
TOTAL	<u>420,000</u>	<u>420,000</u>
ISSUED, SUBSCRIBED AND PAID-UP :		
1,176,746 Preference Shares of Rs. 100/- each	117,675	117,675
27,010,200 Equity Shares of Rs. 10/- each	270,102	270,102
TOTAL	<u>387,777</u>	<u>387,777</u>

NOTES : 1. Equity Shares include :

- (a) 1,56,19,512 shares issued to Kirloskar Electric Co Ltd., as fully paid pursuant to order of the Karnataka High Court under sec 391-394 of Companies Act 1956 without payment received in cash & 63,80,488 shares to certain banks & financial institutions in part conversion of their outstanding dues.
- (b) 5,000,000 equity shares issued to Kirloskar Electric Company Limited on preferential basis during the year 2005 - 06 at par.
- (c) 20,619,512 shares are held by the holding Company.
- (2) 1,176,746 cumulative redeemable preference shares were allotted during the year 2005-06 to certain banks & financial institutions by converting part of their outstanding interest dues in terms the reschedulement proposal approved by them.
- (3) The cumulative preference shares shall be redeemed in 3 equal annual installments commencing from 2009-10

### SCHEDULE "B"

RESERVES AND SURPLUS

Share Premium Account	440,000	440,000
TOTAL	<u>440,000</u>	<u>440,000</u>

### SCHEDULE "C"

SECURED LOANS

a) From banks	811,214	884,853
b) From financial institutions	59,028	178,496
c) Zero coupon debentures to Sundaram Finance Limited	9,528	20,418
TOTAL	<u>879,770</u>	<u>1,083,767</u>

### SCHEDULE "D"

UNSECURED LOANS

a) From Bank	-	12,810
b) From Sundaram Finance Limited	39,406	39,406
TOTAL	<u>39,406</u>	<u>52,216</u>

Amount falling due for payment within one year is Rs. 11.59 million

### SCHEDULE "E"

FIXED ASSETS

(Rs in 000's)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1 <sup>st</sup> April 2006	Additions/ Transfers during the period	Deletions/ Transfers during the period	As at 31 <sup>st</sup> March 2007	As at 1 <sup>st</sup> April 2006	Deprecia- tion for the period	Withdrawals during the period	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006
Land	41,259	—	—	41,259	—	—	—	—	41,259	41,259
Leasehold Land	6,627	—	—	6,627	—	—	—	—	6,627	6,627
Buildings	277,666	9,000	—	286,666	23,579	10,262	—	33,841	252,825	254,087
Plant & Machinery	1,304,539	7,054	—	1,311,593	307,314	85,421	—	392,735	918,858	997,225
Furniture & Equipment	13,675	1,243	15	14,903	4,770	1,239	1	6,008	8,895	8,905
Vehicles	980	—	—	980	421	104	—	525	455	559
<b>TOTAL</b>	<b>1,644,746</b>	<b>17,297</b>	<b>15</b>	<b>1,662,028</b>	<b>336,084</b>	<b>97,026</b>	<b>1</b>	<b>433,109</b>	<b>1,228,919</b>	<b>1,308,662</b>
Previous Year	1,487,835	163,757	6,846	1,644,746	259,013	79,213	2,142	336,084	1,308,662	1,228,822

NOTES:

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

## KAYTEE SWITCHGEAR LIMITED

### SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SCHEDULE "F"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. Inventories - as certified by the Whole-time Director		
i. Raw Materials, Stores, Spares Parts, Components etc.,	115,587	54,715
ii. Stock in Trade		
Finished Goods (including Trading Stocks)	54,179	52,356
Process Stock	156,433	226,401
iii. Others-Including Material at Port and Scrap	9,082	8,517
	<b>335,281</b>	<b>341,989</b>
Less: Provision for non-moving stock	<b>30,456</b>	<b>30,456</b>
	<b>304,825</b>	<b>311,533</b>
2. SUNDRY DEBTORS		
(Unsecured, Considered Good except doubtful debts of Rs.123.105 million (previous year Rs.52.476 million))		
i. Debts outstanding for a period exceeding six months	250,375	241,346
ii. Other Debts	543,676	487,950
	<b>794,051</b>	<b>729,296</b>
Less : Provision for doubtful debts	<b>123,105</b>	<b>52,476</b>
	<b>670,946</b>	<b>676,820</b>
3. CASH AND BANK BALANCES		
a. Cash on Hand	32	32
b. Balances with scheduled banks		
- On Current Accounts	12,484	11,384
- On Short term deposit accounts	22,660	20,094
	<b>35,176</b>	<b>31,510</b>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, Considered Good except doubtful advances of Rs.37.615 Millions (Previous year Rs. 25.268 Millions ) Advances Recoverable in Cash or in kind or for value to be received		
Sundry Advances	153,693	162,823
Less : Provision for Doubtful Advances	37,615	25,268
	<b>116,078</b>	<b>137,555</b>
Balances with Central Excise in current accounts	4,008	1,023
Advance payment of tax	5,144	1,252
	<b>125,230</b>	<b>139,830</b>
<b>TOTAL</b>	<b>1,136,177</b>	<b>1,159,693</b>
<b>SCHEDULE "G"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
(a) Sundry Creditors (Refer Note 17 of Schedule "L")	542,460	725,018
(b) Acceptances	282,293	193,662
(c) Trade Advances	435	466
(d) Other Liabilities	305,358	263,176
	<b>1,130,546</b>	<b>1,182,322</b>
<b>B. PROVISIONS</b>		
(a) Earned Leave Encashment	18,217	15,806
(b) Warranty claim	16,560	11,856
(c) Taxation (including F B T )	7,800	2,800
	<b>42,577</b>	<b>30,462</b>
<b>TOTAL</b>	<b>1,173,123</b>	<b>1,212,784</b>

TWENTYTHIRD ANNUAL REPORT 2006 -2007

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "H"</b>		
OTHER INCOME		
INTEREST :		
(a) On Fixed Deposits	1,784	1,180
(b) Others	367	93
(Tax deducted at source Rs.0.2 million previous year Rs.Nil million)	<u>2,151</u>	<u>1,273</u>
OTHERS:		
(a) Rent Received	95	86
(b) Miscellaneous	18	93
(c) Provision no longer required/unclaimed credit balance written back	<u>3,271</u>	<u>2,500</u>
TOTAL	<u><u>5,535</u></u>	<u><u>3,952</u></u>
<b>SCHEDULE "I"</b>		
CONSUMPTION OF RAW MATERIALS, STORES, SPARE PARTS & COMPONENTS AND PURCHASES FOR TRADING		
Raw material and Components	2,240,729	1,770,320
Stores, Spare Parts etc	<u>40,887</u>	<u>31,535</u>
	2,281,616	1,801,855
Decrease / (Increase) in Stocks		
Stock at Close		
Process Stock	156,433	226,401
Trading and Finished Goods	54,179	52,356
Scrap	<u>4,377</u>	<u>1,678</u>
	214,989	280,435
Less : Stock at commencement		
Process Stock	226,401	155,118
Trading and Finished Goods	52,356	48,428
Scrap	<u>1,678</u>	<u>3,136</u>
	280,435	206,682
	<u>65,446</u>	<u>(73,753)</u>
TOTAL	<u><u>2,347,062</u></u>	<u><u>1,728,102</u></u>

## KAYTEE SWITCHGEAR LIMITED

### SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>SCHEDULE "J"</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Power & Fuel	<b>60,282</b>	41,198
Expenses relating to Employees :		
Salaries, Wages & Bonus	<b>286,294</b>	256,135
Contribution to Employees PF, Family Pension Scheme and Superannuation Fund	<b>27,421</b>	27,108
Gratuity as per actuarial valuation	<b>20,057</b>	13,593
Workmen and Staff Welfare Expenses (includes contribution to employee's state insurance & PF Administration charges)	<b>42,012</b>	31,049
	<b>375,784</b>	327,885
Rent	<b>12,254</b>	8,876
Repairs		
Buildings	<b>5,690</b>	3,737
Machinery	<b>20,593</b>	15,767
Others	<b>5,162</b>	4,409
	<b>31,445</b>	23,913
Selling Expenses	<b>29,275</b>	32,628
Commission	<b>489</b>	967
Cash Discount	<b>2,446</b>	5,335
Additional Sales Tax	<b>146</b>	
Maintenance of Vehicles	<b>220</b>	260
Insurance	<b>2,953</b>	4,412
Rates and Taxes	<b>4,582</b>	5,288
Advertisement	<b>555</b>	48
Printing & Stationery	<b>3,462</b>	3,558
Travelling Expenses	<b>14,732</b>	10,037
Postage, Telegrams and Telephones	<b>4,712</b>	4,205
Auditors Remuneration	<b>1,735</b>	1,740
Tech. Consultancy & Professional Charges	<b>11,898</b>	9,761
Bank Charges	<b>17,201</b>	15,632
Subscription to Technical Associations, Journal & Magazines	<b>126</b>	189
Computer hire, Software development & Data preparation Charges	<b>298</b>	326
Manufacturing expenses and sundries	<b>4,688</b>	1,861
Bad debts and other disallowances written off	<b>22,822</b>	23,057
Less : Provision for Doubtful debts withdrawn	<b>22,822</b>	23,057
Directors' sitting fees	<b>155</b>	175
<b>TOTAL</b>	<b>579,438</b>	498,294

### **SCHEDULE "K"**

#### DEPRECIATION, AMORTISATION AND PROVISIONS

1 Depreciation	97,026	79,213
2 Provision for uninstalled machinery	17,800	-
3 Provision for doubtful debts	93,451	-
4 Provision for doubtful advances	12,347	-
5 Warranty claim	4,704	1,461
<b>TOTAL</b>	<b>225,328</b>	80,674

**SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE "I"**

**A. 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 are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. Internally manufactured assets are valued at works cost.

**1.3 INVENTORIES**

Raw materials, stores, spare parts and components are valued at cost determined on first in first out / weighted average basis or net realizable values whichever is lower. Work in progress is valued at works cost or net realizable value which ever is lower. Finished goods are valued at cost or net realizable value whichever is lower.

**1.4 DEPRECIATION**

- a. Depreciation is charged on straight line method at the rates specified in schedule XIV to the Companies Act, 1956.
- 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. 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.

**1.5 RESEARCH AND DEVELOPMENT EXPENSES**

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

**1.6 REVENUE RECOGNITION**

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

**1.7 RETIREMENT BENEFITS**

Contribution to gratuity and superannuation funds has been computed based on actuarial valuation.

**1.8 TAXES ON INCOME**

Provision for current tax 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.

**1.9 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 use. Other interest and borrowing costs are charged to Profit & Loss Account.

**1.10 CONTINGENT LIABILITIES**

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements is 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.

**1.11 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.



## KAYTEE SWITCHGEAR LIMITED

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

#### SCHEDULE "L" (Contd.,)

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

	As at <b>31.03.2007</b>	As at 31.03.2006
<b>B. NOTES FORMING PART OF ACCOUNTS</b>		
<b>2. (a) CONTINGENT LIABILITIES</b>		
i. Guarantees / counter guarantees given on import and sale contracts etc.	<b>22,758</b>	28,960
ii. Certain industrial disputes are pending before various judicial authorities -not acknowledged by the Company	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
iii. Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	<b>484</b>	888
iv. Claims against the Company not acknowledged as debt.	<b>29,759</b>	29,759
v. Sales tax liability in respect of pending assessments	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
vi. Resale tax demanded and under appeal.	<b>52,133</b>	-
vii. Interest and penalty if any, on account of delays in payment of statutory/suppliers dues. The Company has made waiver petition wherever such interest or penalty has been levied.	<b>Amount Not Ascertainable</b>	Amount Not Ascertainable
viii. Kirloskar Electric Company Ltd. had imported certain capital equipments without payment of customs duty under the Export Promotion Capital Goods Scheme subject to exporting Rs. 3,887.63 million within 8 years starting from the financial year 1996-97. Estimated amount of customs duty payable on capital goods imported (excluding interest and penalty). The Company has sought further extension of time to honour its commitments. The shortfall in export performance as of 31 <sup>st</sup> March 2007 in relation to commitments is Rs.3577.38 million. This obligation is to be honoured by the Company.	<b>182,722</b>	182,722
ix. Penal damages levied by the Regional Provident fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of Rs.4.618 million paid has been included in loans and advances.	<b>9,154</b>	9,154
x. Arrears of dividend on cumulative preference shares (including tax thereon)	<b>10,406</b>	426
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.		
2.(b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.41.284 million (Rs.20.284 million).		
<b>3. SECURED LOANS</b>		
A. Working Capital facilities from consortium banks are secured by first pari passu charge on current assets and second pari passu charge on fixed assets. All the facilities are guaranteed by Chairman & Whole-time Director of the Company.		
Term Loans from banks and financial institutions are secured by first pari passu charge on fixed assets alongwith amount due on debentures to Sundaram Finance Limited and second pari passu charge on current assets.		
Default in payments of installments and interest thereon to certain lenders shall result in a right to convert the whole or part of the outstanding into fully paid equity shares of the Company at par.		
B. From Sundaram Finance Ltd. - Zero Coupon Debentures - First pari passu charge on fixed assets alongwith amount due on account of term loans to Banks & Financial Institutions.		
<b>4. EARNINGS IN FOREIGN EXCHANGE</b>		
F.O.B. value of goods exported (Net) (inclusive of sales within India eligible for export incentives)	<b>Current Year 31.03.2007</b>	Previous Year 31.03.2006
However, Kirloskar Electric Company Limited has effected exports to a tune of Rs.83,538/- (Rs.59,778) out of purchases of motors & alternators produced by the Company.	<b>Nil</b>	Nil

**TWENTYTHIRD ANNUAL REPORT 2006 -2007**

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

**SCHEDULE "L" (Contd.,)**

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

Rs. in 000's

	<b>Current Year</b>	Previous Year
	<b>31.03.2007</b>	31.03.2006

5. VALUE OF IMPORTS CALCULATED ON CIF BASIS

I.	Raw Materials	<b>11,916</b>	9,974
II.	Components and Spare parts	<b>213,927</b>	145,179
III.	Capital Goods	<b>967</b>	Nil

6. EXPENDITURE IN FOREIGN CURRENCY

On account of foreign travel and others	<b>2,454</b>	360
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7. REMUNERATION TO AUDITORS\*

I	For Audit	<b>680</b>	673
II	For Taxation matters	<b>444</b>	449
III	For Certification work etc.	<b>336</b>	334
IV	For Management Services	<b>225</b>	228
V	Cost Audit Fees	<b>50</b>	56
	<b>TOTAL</b>	<b>1,735</b>	1,740

\* Excludes out of pocket expenses of Rs.0.11 million (Rs. 0.10 million)

8. EXPENDITURE ON RESEARCH AND DEVELOPMENT EXPENSES

I	Revenue	<b>1,950</b>	1,576
II	Capital	-	-

9. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, STORES, SPARES PARTS AND COMPONENTS CONSUMED AND PERCENTAGE OF EACH TO THE TOTAL CONSUMPTION:

Value of imported raw materials, stores, spares parts & components consumed	<b>12.41%</b>	<b>283,609</b>	9.24%	166,436
Value of indigenous raw materials, stores, spares parts & components consumed	<b>87.59%</b>	<b>1,998,007</b>	90.76%	1,635,419
<b>TOTAL</b>	<b>100%</b>	<b>2,281,616</b>	100%	1,801,855

10. CONSUMPTION OF MAJOR RAW MATERIALS AND COMPONENTS

(Rs. in 000's)

	Unit	Current Year		Previous Year	
		Qty	Value	Qty	Value
Copper (Wires, strips, rods, sheets, etc.)	MT	<b>1,169</b>	<b>426,591</b>	1,259	297,240
Iron and steel (pig iron, rounds, plates, sheets, etc.) stampings and laminations	MT	<b>6,454</b>	<b>355,210</b>	5,535	328,836
Others			<b>1,499,815</b>		1,175,779
<b>TOTAL</b>			<b>2,281,616</b>		1,801,855

- 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 money value furnished, as the items are numerous and it is not possible to furnish quantitative particulars thereof.

## KAYTEE SWITCHGEAR LIMITED

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

#### SCHEDULE "L" (Contd.,)

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

#### 11. CAPACITIES AND PRODUCTION

Class of Goods		Capacities		
		Licensed #	Installed @	Production
Motors/Alternators/ Generators	MW	<b>2,806 *</b>	<b>2,806 *</b>	<b>1,667</b> (1,523)
F.H.P. Motors	No.	<b>21,600 +</b>	<b>21,600 +</b>	<b>9,877</b> (9,171)
Electricity generated using wind energy	Units			<b>1,360,200</b> (750,000)
Traction Equipment *	No.			<b>8</b> (51)
Engines	No.			<b>114</b>

#### NOTES:

@ As certified by a Director

# Standing in the name of KECL from whom the running business of RMG has been taken over

\* On maximum utilization

+ On single shift

#### 12. OPENING AND CLOSING STOCK OF FINISHED GOODS

(Rs. in 000's)

Class of Goods	Opening Stocks		Closing Stocks	
	Qty.	Value	Qty.	Value
Motors/Alternators/ Generators (Including FHP Motors)	<b>2,827</b> (4,249)	<b>50,373</b> (46,985)	<b>1,487</b> (2,827)	<b>47,731</b> (50,373)
Others		<b>1,983</b> (1,443)		<b>6,448</b> (1,983)
<b>TOTAL</b>		<b>52,356</b> (48,428)		<b>54,179</b> (52,356)

#### 13. DETAILS OF SALES

(Rs. in 000's)

CLASS OF GOODS	Turnover of Finished Goods *			
	Current Year		Previous Year	
	Qty.	Value	Qty.	Value
Motors/Generators/Alternators (Including FHP Motors)	<b>113,873</b>	<b>3,636,654</b>	104,846	2,629,883
Traction Equipment	<b>8</b>	<b>786</b>	51	23,503
Electricity (In Units)	<b>1,360,200</b>	<b>5,373</b>	750,000	3,251
Engines	<b>114</b>	<b>18,693</b>	-	-
Others (Including Components of alternators)		<b>161,226</b>		162,703
<b>TOTAL</b>		<b>3,822,732</b>		2,819,340

#### NOTE:

\* Quantity in numbers includes transfers to divisions for further manufacture and free replacements.

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

**SCHEDULE "L" (Contd.,)**

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

14. a. The order of the Honourable High Court of Karnataka according approval for the scheme of arrangement of Kirloskar Electric Company Limited (KECL) under sections 391 to 394 of the Companies Act 1956 was received in February 2003 with effect from September 30, 2001 as the appointed date. This scheme of arrangement interalia involved restructuring of its liabilities to banks and financial institutions and transfer of the rotating machines group (RMG) to the Company.
  - b. Few banks that had advanced monies to KECL have not properly bifurcated the transactions of and the amounts owed by KECL, the Company and Best Trading and Agencies Limited, the special purpose vehicle for holding certain assets and liabilities as per the orders of the Honourable Court. However, the Company has given effect to the scheme as approved by the Honourable Court. There are also differences between interest charged by certain banks and institutions and that accounted by the Company. Accordingly, the balances owed to such banks/ institutions as at 31<sup>st</sup> March 2007 are as per books and are subject to confirmation/reconciliation.
  - c. Certain assets and liabilities of the Company including consents/approvals from various regulatory authorities continue to remain in the name of KECL. Necessary action is being taken in the matter.
  - d. All motors, alternators and components thereof manufactured by the Company are sold to/ manufactured for KECL under contract manufacturing/ subcontracting arrangements entered into. The arrangements entered into envisages a sale price for the Company based on the ultimate sales value of KECL for sale of motors and alternators from its customers minus a mark down to take care of its estimated branch and distribution network costs. KECL also has back to back claims against the Company for all shortfalls in realization from its customers (liquidated damages, freight, disallowances, warranty claims, other losses etc). In respect of sales of spare parts and parts of diesel generators, a mutually agreed price is charged by KSL to KECL..
15. Sundry Advances include: -
    - a. Rs.26.38 million (previous year Rs.50.658 million) being rescheduled advances from certain companies. The management is confident of recovering these dues and no provision is considered necessary. Some of these companies have incurred losses and their net worth has been eroded.
    - b. Rs.NIL million (previous year Rs.16.937 million) due from a private limited company in which a director is interested.
  16. a. Sundry debtors include Rs.724.359 million (Rs. 723.268 million) due from KECL.
  - b. Other Liabilities include Rs. 136.740 million (Rs.96.794 million) due to KECL
  - c. Sundry debtors include Rs.23.980 million due from a private limited company in which a director of the Company is interested.
  17. The Company is in the process of compiling necessary data regarding the status of the creditors under the Micro, Small & Medium Enterprises Development Act, 2006. Consequently, the disclosures under this Act have not been furnished. However, the amount due to small scale industries which is more than 30 days is Rs.228.897 million (to the extent ascertained). Further no interest has been provided for such dues in the books of account. This data is as certified by the management and relied upon by the auditors.
  18. a. Confirmation of balances from certain sundry creditors, debtors, deposit accounts, loans and advances, borrowings is awaited from certain parties. Accounts of certain loans and advances, deposits, banks, collector of customs, creditors, etc are under review and reconciliation. Provision for doubtful debts and advances has been made to the extent ascertained. Adjustments, if any will be made on completion of review / reconciliation. Effect on revenue is not expected to be material as per management.
  - b. In view of the back to back claims available to KECL in respect of shortfall in realizations as detailed in Note 14 above, provision for doubtful debts / disallowances have been made based on advices received from KECL. Further provision required, if any will be made as and when advices are so received from KECL/ completion of review and reconciliation by it.
  19. a. The accounts of one of the units of the Company have been maintained on SAP R3 system, which envisages an integrated system of materials, production, sales and financial accounting. Various errors and inconsistencies mainly in the areas of production and material accounting, valuation of inventories, creation of masters etc have crept in. These are interalia on account of inaccurate definition of master information as well as change in material codes. The closing stocks of all inventories have been adopted as per physical inventory taken by the management at the end of the year, pending identification of mistakes, differences, reconciliation and consequential corrections. Consequently, the impact of these differences is not quantifiable.
  - b. The Company has initiated steps to bring the valuation of work in progress and finished goods at Bangalore and Hubli in line with Accounting Standard – 2. However, the process followed in determination of cost and net realizable value need to be further refined/ improved to bring it in line with the requirements of the said standard.

## KAYTEE SWITCHGEAR LIMITED

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

#### SCHEDULE "L" (Contd.,)

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

20. Prior period income / expenditure (including those relating to the period when the units of the Company were part of KECL) has not been separately ascertained and disclosed in terms of Accounting Standard - 5 but have been added/netted off under their natural heads. This has no effect on the working results of the Company.
21. The Company has not paid any remuneration to its Whole-time Director during the year since same is drawn in the holding company Kirloskar Electric Company Limited.

**22. Related Party Disclosure:**

NAME OF THE RELATED PARTY	RELATIONSHIP
Kirloskar Electric Company Limited	Parent Company
Mr. Vijay R. Kirloskar Mr. P. S. Mallik Mr. D. R. Venkatesha Murthy Mr. L. G. Madhusudhan Ms. Janaki Kirloskar Mrs. Meena Kirloskar Ms. Rukmini Kirloskar	Key management personnel of Company and/or its parent company and relatives of Key Management personnel.
KEASI Robicon Industrial Systems Private Limited Kirloskar (Malaysia) Sdn. Bhd	Associates and joint ventures of parent company
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 Keerthi Investment and Agencies Private Limited Kirloskar Power Equipment Limited	Enterprises over which key management personnel and their relatives are able to exercise significant influence

**TWENTYTHIRD ANNUAL REPORT 2006 -2007**

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

**SCHEDULE "L" (Contd.,)**

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

**Details of transactions:**

(Rs. In 000's)

Nature of transactions	Parent Company	Key management personnel and their Relatives	Associates and joint ventures of Holding company	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	<b>77,848</b> (1,075)	Nil (Nil)	Nil (Nil)	<b>77,219</b> (39,191)
Purchase of Fixed Assets	<b>600</b> (3,994)	Nil	Nil	Nil
Sale of goods	<b>3,658,360</b> (2,728,558)	Nil (Nil)	10,108* (11,111)*	<b>28,200*</b> (950)*
Common Expenses recouped	Nil (4,800)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Amount due to Company as at 31.3.2007	<b>724,359</b> (723,268)	<b>2,700</b> (2,700)	<b>3,041*</b> (2,762)*	<b>64,375</b> (51,599)
Amount due by Company as at 31.3.2007	<b>136,740</b> (96,794)	<b>125</b> (90)	Nil (202)	<b>7,106</b> (146)
Remuneration including sitting fees	Nil	<b>4,695</b> (3,646)	Nil	Nil
Rent Received	<b>13</b> (3,646)	-	-	-
Rent Paid	<b>1,200</b> Nil	<b>1,340</b> (540)	Nil	Nil

\* Through KECL

NOTE: KEC North America Inc has been dissolved during the year. Approvals from Reserve Bank of India for write off of dues are awaited. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

**23. Segment Reporting**

The Company operates in only one business segment (rotating machines group). The revenue from sale of goods outside India (made through KECL) is not a significant percent of the total turnover. In the circumstances, segment information required by Accounting Standard 17 issued by the Institute of Chartered Accountants of India, has not been furnished.

24. 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.12,254 (Rs.8,876).

## KAYTEE SWITCHGEAR LIMITED

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

#### SCHEDULE "L" (Contd.,)

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

#### 25. Deferred Tax Calculation:

(Rs in 000's)

	As at 31.03.2007	As at 31.03.2006
Liability relating to timing difference on account of value of fixed assets	229,052	232,618
Asset relating to Disallowance under section 43B of Income Tax Act, 1961 and Unabsorbed depreciation under the Income tax Act (Recognized only to the extent of net liability)	229,052	232,618
<b>NET AMOUNT</b>	<b>Nil</b>	<b>Nil</b>

#### 26. Earnings Per Share

PARTICULARS		Current Year	Previous Year
<b>BASIC &amp; DILUTED:</b>			
<b>Profit after extraordinary items</b>			
Profit as per Profit and Loss Account after tax	(Rs. In 000's)	141,216	786
Less: Preference dividend including dividend tax	(Rs. In 000's)	9,969	426
Net profit available for equity share holders		131,247	360
Weighted Average Number of shares outstanding	No.	27,010,200	24,510,200
Earning Per Share	Rs.	4.86	0.01
Face Value Per share	Rs.	10	10
<b>Profit before extraordinary items</b>			
Profit as per Profit and Loss Account before extraordinary items but after tax	(Rs. In 000's)	58,192	786
Less: Preference dividend including dividend tax	(Rs. In 000's)	9,969	426
Net profit available for equity share holders		48,223	360
Weighted Average number of shares outstanding		27,010,200	24,510,200
Earning Per Share	Rs.	1.79	0.01

#### 27. Details of provisions

Particulars	Warranty Claims	Towards wage settlement	Leave Encashment
Balance outstanding at the beginning of the year	11,856	27,500	15,806
Provision for the year (net)	4,704	(27,500)	2,411
Balance outstanding at the end of the year	16,560	-	18,217

28. Figures have been rounded off to the nearest thousand rupees as permitted. The previous year figures have been regrouped and recast in order to be in conformity with current year figures wherever necessary.

As per our report of even date

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

**SHYAM RAMADHYANI**  
Partner

Place : Bangalore  
Date : 25<sup>th</sup> June 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**Y. VENKATESH**  
Company Secretary

**P. S. MALIK**  
President & CEO

**L.G. MADHUSUDHAN**  
Director

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)

**SCHEDULES TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007**

**SCHEDULE "M"**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I REGISTRATION DETAILS**

REGISTRATION No.  /  STATE CODE   
 BALANCE SHEET DATE

**II. CAPITAL RAISED DURING THE YEAR (RUPEES IN THOUSANDS)**

PUBLIC ISSUE <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	RIGHTS ISSUE <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
BONUS ISSUE <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	PRIVATE PLACEMENT <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES IN THOUSANDS)**

TOTAL LIABILITIES <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/>	TOTAL ASSETS <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/>
SOURCES OF FUNDS	RESERVES & SURPLUS
PAID UP CAPITAL <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/>	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
SECURED LOANS <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="0"/>	UNSECURED LOANS <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="6"/>

**APPLICATION OF FUNDS**

NET FIXED ASSETS <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="9"/>	CAPITAL WORK IN PROGRESS <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>
NET CURRENT ASSETS <input "="" type="text" value="("/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value=")"/>	ACCUMULATED LOSSES <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="0"/>

**IV. PERFORMANCE OF COMPANY (RUPEES IN THOUSANDS)**

TURNOVER (INCLUDING OTHER INCOME) <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="4"/>	TOTAL EXPENDITURE <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/>
+ - PROFIT BEFORE TAX <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/>	PROFIT AFTER TAX <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/>
+ - EARNING PER SHARE IN RS. (AFTER TAX) <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="."/> <input type="text" value="8"/> <input type="text" value="6"/>	DIVIDEND RATE % <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

**V. GENERIC NAMES OF THREE PRINCIPLE PRODUCTS/SERVICES OF COMPANY**

ITEM CODE NO. (ITC CODE)   
 PRODUCT DESCRIPTION   
 ITEM CODE NO. (ITC CODE)   
 PRODUCT DESCRIPTION   
 ITEM CODE NO. (ITC CODE)   
 PRODUCT DESCRIPTION



## KAYTEE SWITCHGEAR LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs in 000's)

	Current Year Rs.	Previous Year Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	63,192	3,586
ADJUSTMENT FOR :		
DEPRECIATION	97,026	79,213
AMORTISATION AND PROVISIONS	7,115	(23,354)
LOSS/( PROFIT) ON SALE OF FIXED ASSETS	10	(618)
INTEREST AND DIVIDEND (NET)	<u>99,581</u>	<u>96,976</u>
	<b>203,732</b>	<b>152,217</b>
<u>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</u>	<b>266,924</b>	<b>155,803</b>
ADJUSTMENTS FOR:		
TRADE AND OTHER RECEIVABLES	24,366	(206,724)
INVENTORIES	6,708	(35,318)
TRADE AND OTHER PAYABLES	<u>(51,776)</u>	<u>425,294</u>
	<b>(20,702)</b>	<b>183,252</b>
<u>CASH GENERATED FROM OPERATIONS</u>	<b>246,222</b>	<b>339,055</b>
INTEREST PAID	(101,732)	(98,249)
TAX PAID	<u>(3,892)</u>	<u>58</u>
	<b>(105,624)</b>	<b>(98,191)</b>
<u>NET CASH FROM OPERATING ACTIVITIES</u>	<b>140,598</b>	<b>240,864</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(5,304)	(101,938)
SALE OF FIXED ASSETS	4	5,322
INTEREST RECEIVED	2,151	1,273
ISSUE OF EQUITY	-	50,000
ISSUE OF PREFERENCE SHARES	-	117,675
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(3,149)</u>	<u>72,332</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
REPAYMENT OF TERM BORROWINGS (NET)	(133,783)	(298,933)
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(133,783)</u>	<u>(298,933)</u>
	<b>3,666</b>	<b>14,263</b>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>		
CASH AND CASH EQUIVALENTS AS AT 01.04.2006	31,510	17,247
CASH AND CASH EQUIVALENTS AS AT 31.03.2007	<u>35,176</u>	<u>31,510</u>
	<b>3,666</b>	<b>14,263</b>

As per our report of even date

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

**SHYAM RAMADHYANI**  
Partner

Place : Bangalore  
Date : 25<sup>th</sup> June 2007

For and on behalf of Board of Directors

**VIJAY R. KIRLOSKAR**  
Chairman & Whole-time Director

**Y. VENKATESH**  
Company Secretary

**P. S. MALIK**  
President & CEO

**L.G. MADHUSUDHAN**  
Director

**PRALHAD P. KATTI**  
Deputy General Manager (Finance)



# KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010

## ATTENDANCE SLIP

I certify that I am a registered member/proxy for the registered member of the Company.

I hereby accord my presence at the 60<sup>th</sup> Annual General Meeting of the Company held at Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore at 10.00 A.M. on Thursday the 30<sup>th</sup> August, 2007.

Member/Proxy's Name in Block Letters

Member/ Proxy's Signature

L.F. No. :

Client ID : NSDL

Client ID : CDSL

Please bring this attendance slip and hand it over at the entrance of hall.

# KIRLOSKAR ELECTRIC COMPANY LIMITED

Industrial Suburb, Rajajinagar, Bangalore - 560 010

## PROXY FORM

I/We -----  
of -----being a Member / Members of KIRLOSKAR  
ELECTRIC COMPANY LIMITED hereby appoint -----of-----  
or failing him ----- in the District of -----  
of-----or failing him -----  
of----- as my / our proxy to attend and vote for me / us on my /our behalf at  
the 60<sup>th</sup> Annual General Meeting of the Company to be held at Chowdiah Memorial Hall, Gayathri Devi Park Extension,  
Vyalikaval, Bangalore on Thursday the 30<sup>th</sup> August, 2007 and at any adjournment thereof.

As witness my hand/ our hand this ----- day of ----- 2007

Signed by the -----

Affix  
Rs.1  
Revenue  
Stamp

L.F. No. :

Client ID : NSDL

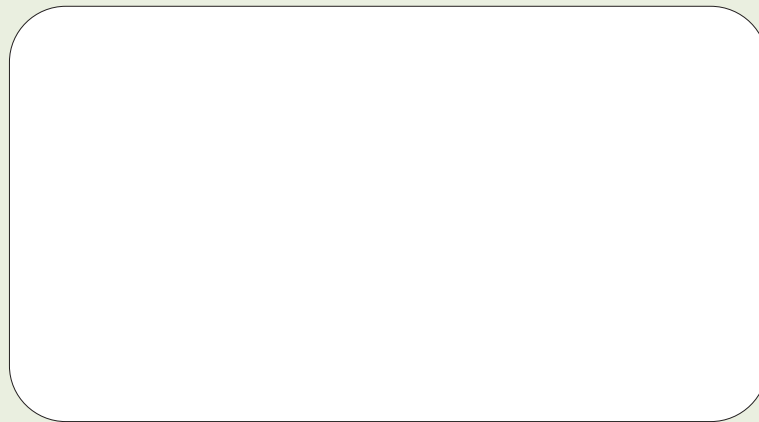
Client ID : CDSL

Note : The proxy must be deposited at the Registered Office of the Company at Industrial Suburb, Rajajinagar, Bangalore 560 010, not later than 48 hours before the time of holding the meeting.



## BOOK-POST

"Permitted to post on pre-payment of postage in cash in Mail Business Center, Hampinagar, Bangalore - 560 104 under C.P.M.G. Bangalore Licence No. KN/AR/41,627/2007/01-08-2007 to 20-08-2007, Postage Rs. 13/- (Rs. Thirteen per copy only.)"



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