

KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

CIN:L31100KA1946PLC000415

Regd Office: Industrial Suburb, Rajajinagar, Bangalore - 560 010.



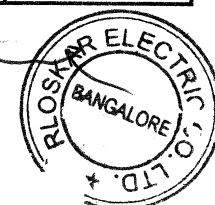
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2017

(Rs. In Lakhs)

SI No	Particulars	Standalone	
		Quarter ended	
		June 30,2017	June 30,2016
		Unaudited	Unaudited
	INCOME FROM OPERATIONS:		
I	Revenue from Operations	10,328	16,346
II	Other income	473	1,106
III	Total Revenue (I+II)	10,801	17,452
IV	Expenses:		
a	Cost of materials consumed	8,903	11,383
b	Change in inventories of finished goods, work in progress and stock in trade	(1,362)	(419)
c	Excise duty on sale of goods	889	1,508
d	Employee benefits expense	1,854	1,731
e	Finance costs	784	954
f	Depreciation and amortisation expenses	276	277
g	Other expenses	1,846	1,791
	Total expenses	13,190	17,225
VII	Profit / (loss) before extra ordinary items and tax (V-VI)	(2,389)	227
VIII	Extraordinary Item (net of tax expense)	-	-
IX	Profit / (loss) before tax (VII+VIII)	(2,389)	227
X	Tax expense:		
a	Current Tax	-	-
b	Deferred tax	-	-
XI	Profit / (loss) after tax from continuing operations	(2,389)	227
	Other comprehensive income		
	(I) Items that will not be reclassified to profit or loss		
	a) Remeasurements of the defined benefit plans	2	6
	b) Taxes on above	-	(2)
	(ii) Items that may be reclassified to profit or loss		
	a) Mark to Market of Investments	1	-
	b) Taxes on above	-	-
	Total other comprehensive income	3	4
	Total comprehensive income for the period	(2,392)	223
XII	Paid-up equity share capital (face value of Rs. 10/- each)	6,641.41	5,573.38
XIII	Earnings per share(EPS) (face value of Rs. 10/- each)		
	Basic	(3.60)	0.41
	Diluted	(3.60)	0.39



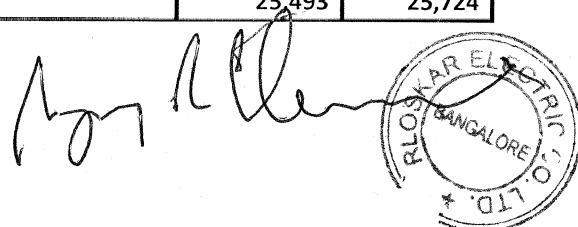
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Revenues, results, assets, liabilities and capital employed for the segments for the quarter ended June 30, 2017

(Rs.in Lakhs)

Sl No	Particulars	Standalone	
		Quarter ended	
		June 30, 2017	June 30, 2016
1	Segment Revenues		
	Power generation/ distribution	5,941	9,847
	Rotating machines	6,010	6,756
	Others	251	415
	Total	12,202	17,018
	Less: Inter segment revenues	1,874	672
	Net sales / income from operations	10,328	16,346
2	Segment Results		
	Profit / (loss) before interest and tax expense		
	Power generation/ distribution	(224)	728
	Rotating machines	(935)	230
	Others	84	228
	Total	(1,075)	1,186
	Less: Interest	787	950
	Less: Other unallocable expenditure (net off unallocable Income)	530	13
	Total profit /(loss) before tax expense	(2,392)	223
	Add: Extraordinary item	-	-
	Add/(less) Tax expenses	-	-
	Total profit / (loss) before tax expense and after extraordinary item	(2,392)	223
3	Segment Assets		
	Power generation/ distribution	15,252	15,805
	Rotating machines	26,367	28,431
	Others	6,948	6,788
	Total	48,567	51,024
	Add Unallocable Assets	38,979	34,851
	Total Segment Assets	87,546	85,875
4	Segment Liabilities		
	Power generation/ distribution	13,450	13,062
	Rotating machines	14,063	12,495
	Others	840	861
	Total	28,353	26,418
	Add Unallocable Liabilities	33,700	33,733
	Total Segment Liabilities	62,053	60,151
5	Capital Employed (Segment Assets-Segment Liabilities)		
	Power generation/ distribution	1,802	2,743
	Rotating machines	12,304	15,936
	Others	6,108	5,927
	Total capital employed in segments	20,214	24,606
	Add: Unallocated	5,279	1,118
	Total capital employed	25,493	25,724

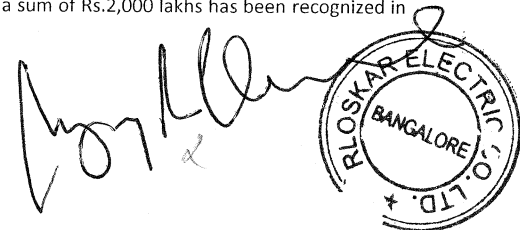


Notes:

- 1 The above unaudited financial results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on September 8, 2017.
- 2 The unaudited financial results of the Company for the quarter ended June 30, 2017 have been subject to limited review by its Statutory auditors.
- 3 The Company has adopted Indian Accounting Standards ("Ind AS") for the current period and accordingly, these unaudited financial results have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with the relevant rules issued thereunder and the other accounting principles generally accepted in India.
- 4 The Ind AS financial results and financial information for the quarter ended June 30, 2016 have not been subjected to any limited review or audit as per exemption given in SEBI circular no. CIR/CFD/FAC/62/2016 dated 05.07.2016. However, the management has exercised necessary due diligence to ensure that the financial results provide a true and fair view of the results in accordance with Ind AS.
- 5 The preparation of these financial results in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, and capital employed. The changes required due to application of Ind AS on retained earnings as well on current year/comparatives' profits/losses have been provisionally assessed and carried out. Accordingly, judgements, estimates and assumptions made in preparing these financial statements and comparatives may require further adjustments that may be necessary due to fresh evidence/facts and interpretations of MCA/ICAI that may be observed/received at the time of finalization of annual financial statements for the year ending on March 31, 2018.
- 6 The adoption of Ind AS have necessitated changes in the accounting, recognition and measurement criteria of various items of income and expenditure. The reconciliation of the financial results as reported under previous GAAP with those restated as per Ind AS for the quarter ended June 30, 2016 is as under:

Particulars	Rs. In lakhs
Net profit as per previous GAAP	151
Add/(less):	
Fairvalue adjustments on receivables of subsidiary	355
Expected credit loss recognized on trade receivables & probable sales returns	(148)
Fairvalue adjustments of warranty provision	(20)
Fairvalue adjustments of retention money	(15)
Expected credit loss recognized on dues from subsidiaries	(125)
Recognition of guarantee commission	24
Fairvalue adjustment of security deposits	(1)
Reclassification of remeasurement of employee benefits	6
Net profit as per Ind AS	227
Other Comprehensive Income (net of tax)	(4)
Total Comprehensive Income	223

- 7 As a measure of restructuring and with the consent of a Lending Bank and other Lending banks under the Joint Lender Forum (JLF) mechanism, the Company had transferred in the year ended March 31, 2015 certain assets comprising of immovable properties, receivables and inventory to its subsidiaries Kelh117 Trading Private Limited, SKG Terra Promenade Private Limited and SLPKG Estate Holdings Private Limited, which will function as special purpose vehicles to hold such assets, dispose off the same and pay off certain debts (bank dues) transferred by the Company. The amounts outstanding and due from the subsidiaries as at June 30, 2017 in respect of the transfer of the assets as mentioned above, other expenses incurred by the subsidiaries reimbursed by the Company and interest charged totally amounts to Rs.13,756.14 lakhs (as at June 30, 2016 Rs.12,449.93 lakhs) after considerin Ind AS adjustments. These subsidiaries are taking active steps to repay the dues of the Company from collection of debts (receivables) assigned and from disposal of immovable properties / inventories transferred apart from debts (bank dues) transferred / to be transferred as referred above. The Board of Directors are confident of recovering all dues. However, based on expected credit losses as prescribed under Ind AS as against the incurred loss model envisaged under earlier GAAP, a sum of Rs.2,000 lakhs has been recognized in the above results.



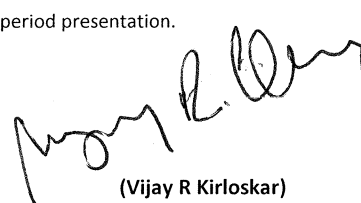
8 The net worth (after excluding revaluation reserve) of the group in terms of the consolidated financial statements as at March 31, 2017 consisting of the Company, its subsidiaries and its associate is eroded. The Company has incurred losses for the quarter under review and its net worth is eroded. There were certain overdue in respect of banks and creditors. The Company and its components have initiated several measures like active steps being taken for disposal of non-core assets, arrangement under JLF mechanism for restructuring of dues to banks, sanction of further non-fund based limits by banks, infusion of capital by the promoters, rationalization of operations, introduction of value added products, push for sales, optimization in product mix and enhanced contribution, capital raising plans etc. The Company is in advanced stage of negotiation for funding arrangements with various parties which will improve the performance in forthcoming periods. The Company is confident that this funding arrangement will have a positive impact on the net worth of the Company. Accordingly, your directors have prepared these financial results of the Company on the basis that it is a going concern and that no adjustments are considered necessary to the carrying value of assets and liabilities.

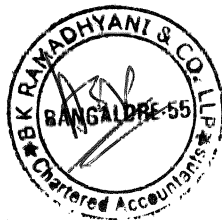
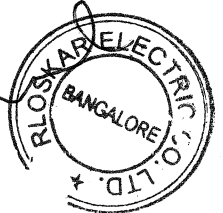
- 9 a. The Company has filed before the honorable Supreme Court, special leave petition (SLP) in respect of resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively, on its erstwhile subsidiary Kaytee Switchgear Limited (since merged with the parent company) and confirmed by the honourable High Court of Karnataka. This SLP has been admitted by the honorable Supreme Court.
- b. The Company also approached the Karnataka Sales tax authorities seeking settlement of the Sales tax penalty referred to above under 'Karasamadhana Scheme 2017'(Scheme) which involves settlement of the matter by payment of 10% of the amount of penalty and withdrawing the appeal before the Honorable Supreme Court. However, the same could not be resolved due to certain interpretation issues of the Scheme and demand for certain amount as further tax payment without considering the amounts already paid by the Company. Consequently, the Company has filed a writ petition in the Honorable High Court of Karnataka challenging the scheme on grounds of discrimination and seeking specific reliefs.
- c. The Company has received a reassessment order under Karnataka Value Added Tax Act, 2003 ("KVAT") in an earlier year for the period April 2009 to March 2010 essentially denying input credit and making certain other disallowances and consequently, raised a demand of Rs.893 lakhs. According to the Company the said order has been passed based on incorrect interpretation of law. The Company has been legally advised that the said order is not sustainable and consequently a writ petition has been filed in the honorable High Court of Karnataka seeking relief from the said order and quashing of the same. The Company believes that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect.

Under the above circumstances, the Company believes based on legal advice / internal assessment that the outcome of these contingencies will be favorable, that losses are not probable and no provision is required to be recognized in this respect.

10 Previous period figures have been regrouped wherever necessary to confirm with current period presentation.

Place: Bangalore
Date: September 8, 2017


(Vijay R Kirloskar)
Executive Chairman



INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To,
The Board of Directors
Kirloskar Electric Company Limited
Bangalore.

1. We have reviewed the accompanied statement of unaudited quarterly financial results of Kirloskar Electric Company Limited ("the Company") for the quarter ended June 30, 2017, being submitted by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the unaudited quarterly financial results based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410 "Review of Interim Financial Information performed by the independent auditor of the entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. **Basis of Qualified Opinion:**

Attention of the Directors is invited to foot note 7 to the unaudited financial results regarding amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/ assignment of certain immovable properties, receivables, interest charged and expenses reimbursed. We have relied on the representation that it is confident of realization of amounts due to the said subsidiaries aggregating to Rs. 13,756.14 lakhs (net of provision recognized of Rs.2,000 lakhs). Pending completion of disposals/ realization of assets by the subsidiaries, shortfall in realization of the amount outstanding (net of provision), if any, could not be ascertained.
4. Based on our review conducted as above except in respect of matters stated in the paragraph on "Basis of Qualified Opinion" and read with note 5 to the unaudited financial results, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Act, read with relevant rules issued thereunder and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular dated July 5, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. **Emphasis of Matter:**

Without modifying our opinion, we invite the attention of the directors to:



- a) Foot note 8 of the unaudited financial results, where the Company has detailed the reasons for preparing these unaudited financial results on a going concern basis, though the Company/group (consisting of the Company, its subsidiaries and associate) have incurred losses and their net worth is eroded. There are certain overdue payments to creditors and banks. The appropriateness of the said basis is subject to the Company adhering to the restructuring plan and infusion of requisite funds, with its attendant uncertainties. We have relied on the representations made by the Company.
- b) Foot note 9.a. of the unaudited financial results, which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 lakhs respectively before the honorable Supreme Court of India.
- c) Foot note 9.c. to the unaudited financial results, which sets out that the Company has filed a writ petition in the honorable High Court of Karnataka challenging the demand of Karnataka Value Added Tax, 2003 of Rs.893 lakhs.

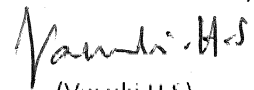
In respect of both matters detailed in paragraph 5(b) and (c) above, management has represented to us that it is not probable that there will be an outflow of economic benefits and hence no provision is required to be recognized in this regard. We have relied on such representations.

G. Other Matters:

Attention is drawn to notes 3 and 4 of the unaudited financial results which state that the Company has adopted Ind AS for the current period and accordingly, the statements has been prepared by the Company's management in compliance with Ind AS. Further, we have not reviewed the figures reported for the quarter ended June 30, 2016.

A copy of the unaudited quarterly financial results of the Company for the period under review, which formed the basis of our limited review, duly initiated by us for the purpose of identification is enclosed to this report.

For B K Ramadhyani & Co. LLP
Chartered Accountants
Firm Registration No. 002878S/S200021



(Vasuki H S)

Partner

Membership No. 212013

Place: Bangalore
Date: September 8, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
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