

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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

1. We have reviewed the accompanying statement of unaudited quarterly financial results of Kirloskar Electric Company Limited ("the Company") for the quarter ended June 30, 2014, being submitted by the Company pursuant to clause 41 of the Listing Agreements with the Stock Exchange except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been subject to review by us. 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 these financial statements 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. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with the Companies (Accounting Standard) Rules, 2006 which continues to apply as per section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.
4. **Emphasis of matter**
 - (a) We invite reference to Note 4 of the results which describes that the Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW) the step down subsidiary of the Company, has incurred substantial losses for the previous two years, thereby eroding its networth. According to the Company, details of the financial results are awaited for the quarter ending June 30, 2014. Management has represented to us that the diminution in the carrying value of the investments held by the Company in Kirsons BV (immediate holding company of LDW) amounting to Rs.20,565.64 lakhs is considered temporary and no provision is required to be recognized in this respect. We have relied on this representation. Our report is not qualified in this respect.

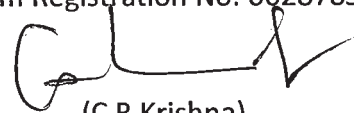


- (b) We invite reference to Note 5 of the results which sets out that the Company has filed special leave petition in respect of demands for resale tax and sales tax penalty of Rs.527 lakhs and Rs.362 Lakhs respectively before the honorable Supreme Court of India. Management has represented to us that it is not probable that there will be an outflow of economic benefits and no provision is required to be recognized in this respect. We have relied on the representation. Our report is not qualified in this respect.

A copy of the unaudited 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.

Place: Bangalore
Date: August 12, 2014

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



(C R Krishna)

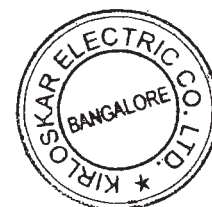
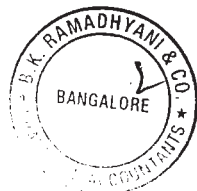
Partner

Membership No. 27990

B.K. RAMADHYANI & COMPANY
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapura Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.



SI No	Particulars	Amount (Rs.in Lacs)			
		Standalone			
		Three months ended 30/06/2014	Preceding Three months ended 31/03/2014	Corresponding previous year three months ended 30/06/2013	Year to date figures for previous year ended 31/03/2014
	Unaudited	Audited	Unaudited	Audited	
1 a	Gross sales				
	Less : excise duty	15,478	16,161	21,511	74,841
	Net sales/ income from operations	1,275	1,393	2,002	6,857
b.	Other operating income	14,203	14,768	19,509	67,984
2	Expenditure	-	-	-	-
a	Cost of materials consumed				
b	Change in inventories of finished goods, work in progress and stock in trade	9,755	14,221	14,071	54,823
c	Employee benefit expenses	1,637	(2,079)	736	(2,201)
d	Depreciation and amortisation expenses	2,102	1,955	2,168	7,888
e	Other expenditure	280	116	376	1,171
f	Total	1,702	2,329	2,055	7,930
3	Profit / (loss) from operations before other income, Finance costs and exceptional items (1 - 2f)	15,476	16,542	19,406	69,611
4	Other income	(1,273)	(1,774)	103	(1,627)
5	Profit / (loss) before interest and exceptional items (3+4)	83	1,477	94	1,720
6	Finance costs	(1,190)	(297)	197	93
7	Profit / (loss) after interest but before exceptional items (5-6)	1,080	1,147	935	4,194
8	Exceptional items (net)	(2,270)	(1,444)	(738)	(4,101)
9	Profit / (loss) from ordinary activities before tax (7- 8)	-	-	-	-
10	Tax expense	(2,270)	(1,444)	(738)	(4,101)
11	Net profit / (loss) from ordinary activities after tax (9-10)	-	-	-	-
12	Extraordinary Item (net of tax expense)	(2,270)	(1,444)	(738)	(4,101)
13	Net profit / (loss) for the period (11+12)	-	-	-	-
14	Paid up equity share capital (face value of Rs. 10/-)	(2,270)	(1,444)	(738)	(4,101)
15	Reserves excluding revaluation reserves	5,052	5,052	5,052	5,052
16	Earnings per share (EPS)	NA	NA	NA	9,930
a	Basic and diluted EPS before extra ordinary items (not annualised)				
b	Basic and diluted EPS after extra ordinary items (not annualised)	(4.49)	(2.86)	(1.46)	(8.12)
17	Aggregate of non-promoters shareholding	(4.49)	(2.86)	(1.46)	(8.12)
A	Particulars of share holding				
1	Public share holding				
	-Number of shares				
	-Percentage of Share holding	2,55,94,359	2,55,94,359	2,55,94,859	2,55,94,359
18	Promoters and Promoter Group Shareholding	50.66%	50.66%	50.66%	50.66%
a	Pledged/encumbered				
	-Number of shares	-	-	-	-
	-Percentage of shares (as a % of the total share holding of promoter and promoter group)	-	-	-	-
	-Percentage of shares (as a % of the total share capital of the company)	-	-	-	-
b	Non-encumbered				
	-Number of shares	2,49,27,008	2,49,27,008	2,49,26,508	2,49,27,008
	-Percentage of shares (as a % of the total share holding of promoter and promoter group)	100%	100%	100%	100%
	-Percentage of shares (as a % of the total share capital of the company)	49.34%	49.34%	49.34%	49.34%



B	INVESTOR COMPLAINTS	Quarter ended June 30, 2014
	Pending at the beginning of the quarter	NIL
	Received during the quarter	NIL
	Disposed of during the quarter	NIL
	Remaining unresolved at the end of the quarter	Nil

Revenues, results and capital employed for the segments for the quarter ended June 30, 2014

Amount (Rs.in Lacs)

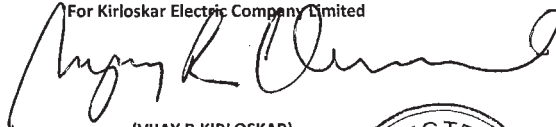
Sl No	Particulars	Standalone			
		Three months ended 30/06/2014	Preceding Three months ended 31/03/2014	Corresponding previous year three months ended 30/06/2013	Year to date figures for previous year ended 31/03/2014
		Unaudited	Audited	Unaudited	Audited
1	Segment Revenues				
	Power generation/ distribution	8,271	6,531	9,393	32,307
	Rotating machines	7,091	9,239	11,149	39,051
	Others	510	938	1,631	5,387
	Total	15,872	16,708	22,173	76,745
	Less: Inter segment revenues	394	547	662	1,904
	Sales / Income from operations	15,478	16,161	21,511	74,841
2	Segment Results				
	Profit/(Loss) before interest, depreciation and tax expense				
	Power generation/ distribution	41	3	260	617
	Rotating machines	(164)	(163)	777	1,603
	Others	164	174	409	1,428
	Total	41	14	1,446	3,648
	Less: Interest	1,080	1,147	935	4,194
	Less: Other unallocable expenditure (net off unallocable Income)	1,231	311	1,249	3,555
	Total profit / (loss) before tax expense & after extraordinary item	(2,270)	(1,444)	(738)	(4,101)
3	Capital Employed (Segment Assets-Segment Liabilities)				
	Power generation/ distribution	101	728	3,029	728
	Rotating machines	13,619	13,481	15,840	13,481
	Others	714	834	4,018	834
	Total capital employed in segments	14,434	15,043	22,887	15,043
	Add: Unallocable	(1,310)	420	(4,061)	420
	Total capital employed	13,124	15,463	18,826	15,463

Notes:

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on August 12, 2014.
- The financial results of the Company for the period ended June 30, 2014 has been subjected to limited review by the statutory auditors of the Company.
- The Company has provided for depreciation on fixed assets (other than plant and machinery and tools) on the basis of their useful life stipulated in schedule II to the Companies Act, 2013. In respect of plant and machinery and tools, the Company has determined their useful life based on technical evaluation, which in turn is different from the useful life stipulated in the said schedule II. Depreciation on plant and machinery and tools has been provided prospectively over their remaining useful life as assessed. Further, based on transitional provisions provided in note 7(b) of the said schedule, an amount of Rs 68.99 lakhs representing the carrying value of assets whose useful life has expired as at April 1, 2014 has been charged to retained earnings. Had the company continued with its previously applied rates based on schedule XIV to the Companies Act, 1956, the charge for depreciation to the financial results and the loss for the quarter ended June 30, 2014 would have been higher by Rs. 26.41 lakhs.
- Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW), a step down subsidiary of the Company, has incurred substantial losses for the preceding 2 years, thereby eroding its network and the details of the financial results for the quarter ending June 30, 2014 of the subsidiaries are awaited. However, LDW has sufficient orders in hand and is confident of earning profits in the subsequent years. The Company has formulated a turnaround strategy for the said company, which has been progressing well. The Company had obtained an independent valuation report in August 2013 in terms of which the carrying value of the said investment as at March 31, 2013 was less than the fair value assessed by the valuer. The Company has internally revalidated the valuation after considering the losses for the year ended March 31, 2014. The diminution in the carrying value of investments held by the Company in Kirsons BV (immediate holding company of LDW) amounting to Rs 20,565.64 lakhs is considered temporary. Accordingly no provision for diminution has been recognized in this respect.
- The Company has filed before the honorable Supreme Court of India, special leave petitions in respect of demands for 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 Company) and confirmed by the honorable High Court of Karnataka. 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.
- Previous period/year figures have been regrouped wherever necessary to confirm with current period presentation.

PLACE: BANGALORE
DATE: August 12, 2014



For Kirloskar Electric Company Limited

 (VIJAY R KIRLOS KAR)
 EXECUTIVE CHAIRMAN
