

Kirloskar Systech Limited

Annual Report

2013-14



KIRLOSKAR SYSTECH LIMITED

A Kirloskar Group Company

Enriching Lives

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 4th Annual Report and Audited Accounts of the Company for a period from April 1, 2013 to March 31, 2014:

FINANCIAL PERFORMANCE:

	Period ended on March 31, 2014 (in Rs.)	Period ended on March 31, 2013 (in Rs.)
Revenue from operations	26,303,222	33,087,899
Other income	417,550	202,634
Total Revenue	26,720,772	33,290,533
Total expenses	23,649,425	27,919,563
Net Profit Before Tax	3,071,347	5,370,970
Provision for tax	1,097,324	1,760,455
Profit after tax	1,974,023	3,610,515

Dividend:

Your directors recommend a dividend of 200% (Rs.20/- per equity share) for the year.

Appropriations:

Your Directors propose to appropriate the available surplus as under :

Dividend @200% (Rs.20/-) on 5,00,000 equity shares of Rs.10/- each	1,000,000	2,000,000
Tax on dividend	162,225	324,450
Transfer to General Reserve	197,402	361,051
Balance carried to Balance sheet	2,234,385	1,619,988
Total :	3,109,476	4,305,489



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OPERATIONS:

The revenue from the operations for the current year is Rs 26.3 lacs as against the revenue of Rs. 33.08 lacs in the previous year. The attempts are being made to get orders from external clients to improve the revenue.

The Company is venturing into providing IT related services for which the compliances under the Company Law have been made during the year under review.

Company is predominately dependent for its revenue generation based on the orders received from Kirloskar Brothers Limited (KBL). It was a strategic decision of acquisition of CIC division of KBL, which would help the Company to enter into contract with the outsiders for providing specialized IT related services. However, due to some operational compliance, the actual transfer could take place at the end of the year. This would contribute substantially to the top line in the near future.

ALTERATION OF MEMORANDUM & ARTICLES OF ASSOCIATION:

Alteration of Objects Clause:

During the year under review, the Members of the Company have approved, by passing a Special Resolution, the alteration of Objects Clause of the Company by addition of new clauses to the Main Objects of the Company for the purpose of extending the services of the Company in IT fields.

Alteration of Capital Clause and Articles of Association:

During the year under review, the Members of the Company have approved, by passing Special Resolution, increase in Authorised Capital of the Company to the extent of Rs. 25 lakhs divided into 250,000 Equity Shares of Rs. 10/- each.

PARTICULARS OF EMPLOYEES:

None of the employees is covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:

The Company is engaged in system engineering, designing and support services and IT services. The s information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given as Annexure to this Report.



Enriching Lives

KIRLOSKAR SYSTECH LIMITED

A Kirloskar Group Company

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards;
- that the accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for period from April 1, 2013 to March 31, 2014;
- that the 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, and
- that the Annual Accounts have been prepared on a going concern basis.

HOLDING COMPANY:

Kirloskar Brothers Limited is a holding Company of the Company.

DIRECTORS:

Mr. Avinash Purandare was appointed as Managing Director of the Company on 14th October 2013 for a period of 3 years.

Mr. Umesh Shastry is liable to retire by rotation and being eligible, offers himself for reappointment.

AUDITORS:

M/s P.G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) will retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Board has recommended their appointment for a period of 5 from the conclusion of the ensuing Annual General Meeting subject to approval by the shareholders and ratification at each Annual General Meeting thereafter.



KIRLOSKAR SYSTECH LIMITED

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ACKNOWLEDGMENTS:

Your Directors wish to place on record their appreciation of the unstinted support and co-operation given by banks and customers. Your Directors would further like to record their appreciation of the efforts of every employee for the results achieved during this year.

For and on behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Umesh Shastri", with a long horizontal line extending to the right.

Umesh Shastri
Chairman

Pune : April 14, 2014



KIRLOSKAR SYSTECH LIMITED

A Kirloskar Group Company

Enriching Lives

Annexure to Directors' Report

A. Conservation of energy

Not Applicable

B. Technology absorption

Efforts made in technology absorption: Nil

C. Foreign exchange earnings and outgo

Earnings : Rs. 10,58,721

Outgo : Nil

For and on behalf of the Board of Directors,

Umesh Shastri
Chairman

Pune : April 14, 2014

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KIRLOSKAR SYSTECH LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Kirloskar Systech Limited, which comprise the Balance Sheet as at March 31st, 2014, the Profit and Loss Statement and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956(" the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



M/s P. G. BHAGWAT

CHARTERED ACCOUNTANTS

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required 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 March 31st, 2014;
- (b) in the case of the Profit and Loss Statement, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

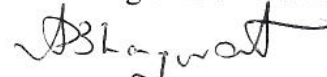
2. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Profit and Loss Statement, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31st, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31st, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For M/S P. G. BHAGWAT

Chartered Accountants

Firm's Registration Number: 101118W



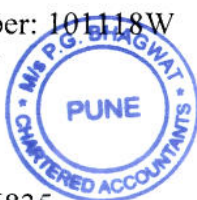
Abhijeet Bhagwat

Partner

Membership Number: 136835

Pune

14th April, 2014

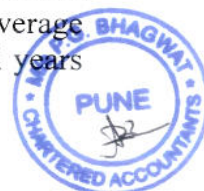


Annexure

Re: Kirloskar Systech Limited

Referred to in paragraph 1 under the heading, "Report on Other Legal and Regulatory Requirements" of our report on even date:

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals and according to the information and explanation given to us, no material discrepancies were noticed.
- (c) The company has not disposed off substantial part of fixed assets during the year which will affect its going concern.
- (ii) (a) The company is engaged in system engineering, designing and support services and hence it does not have inventory. Thus the provisions of clauses 4 (ii)(b) and (c) are not applicable to it.
- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act and thus the provisions of clauses 4 (iii) (b),(c),(d) are not applicable to it.
- (e) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act and thus the provisions of clauses 4 (iii) (f) and (g) are not applicable to it.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase fixed assets and for the sale of services. During the course of our audit we have not observed any major weaknesses or continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
- (b) According to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the company has not accepted deposits from the public referred to in the directives issued by the Reserve Bank of India and hence the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder and the directives issued by the Reserve Bank of India are not applicable to the Company.
- (vii) The company is not a listed company and it does not have a paid-up capital and reserves exceeding Rs. 50 lakhs as at the commencement of the financial year or have an average annual turnover exceeding five crore rupees for a period of three consecutive financial years



immediately preceding the financial year concerned and thus the provisions of clause 4 (vii) requiring such a company to have an internal audit system commensurate with its size and nature of its business are not applicable to it.

(viii) According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act. Thus the provisions of clause 4 (viii) are not applicable to it.

(ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and any other statutory dues with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2014, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax and service tax which have not been deposited on account of any dispute.

(x) The company has no accumulated losses at the end of 31st March, 2014. The company has not incurred cash losses in the current financial year and in the immediately preceding financial year.

(xi) According to the information and explanations given to us, the company has not borrowed or raised funds from a financial institution or bank or debenture holders, thus the provisions of clause 4 (xi) are not applicable to it.

(xii) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion the company is not a chit fund, nidhi / mutual benefit fund/societies; and thus the provisions of clauses 4 (xiii) (a), (b), (c) and (d) are not applicable to it.

(xiv) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) According to the information and explanations given to us, the company does not have any term loans.

(xvii) The company does not have any funds raised on short-term basis.

(xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.



M/s P. G. BHAGWAT

CHARTERED ACCOUNTANTS

(xix) According to the information and explanations given to us, the company has not issued any debentures.

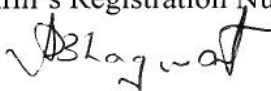
(xx) According to the information and explanations given to us, the company has not raised money by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For M/S P G BHAGWAT

Chartered Accountants

Firm's Registration Number: 101118W


Abhijeet Bhagwat

Partner

Membership Number: 136835

Pune:

14th April, 2014



Kirloskar Systech Limited
Balance Sheet as at March 31, 2014

		Rupees	
Particulars	Note No.	Figures as at the end of current reporting period ending on March 31 2014	Figures as at the end of previous reporting period ending on March 31, 2013
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	A-1	500,000	500,000
(b) Reserves and surplus	A-2	3,109,476	2,297,677
(c) Money received against share warrants		-	-
		3,609,476	2,797,677
2 Share application money pending allotment		-	-
3 Non-current liabilities			
(a) Long-term borrowings		-	-
(b) Deferred tax liabilities (Net)	A-3	501,893	-
(c) Other long term liabilities		-	-
(d) Long-term provisions (leave encashment)		620,832	1,723,472
		1,122,725	1,723,472
4 Current liabilities			
(a) Short-term borrowings		-	-
(b) Trade payables	C-6	10,035,409	-
(c) Other current liabilities	A-4	2,167,525	2,968,345
(d) Short-term provisions	A-5	1,256,992	4,484,477
		13,459,927	7,452,822
		18,192,127	11,973,971
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	A-6	6,550,060	822,530
(ii) Intangible assets	A-6	870,028	356,202
(iii) Capital work-in-progress		-	-
(iv) Intangible assets under development		-	-
(b) Non-current investments		-	-
(c) Deferred tax assets (net)	A-3	-	5,431
(d) Long-term loans and advances		-	-
(e) Other non-current assets		-	-
		7,420,088	1,184,163
2 Current assets			
(a) Current investments - Non Trade 3,75,448.661 unit of Rs 13.3174/- each in IDFC Plan B Growth Fund (5,22,469) units of Rs. 10.0315/- each in HDFC Cash Management Fund - Treasury Advantage Plan - Retail- Daily Dividend	B-9	-	5,000,000
(b) Inventories		-	-
(c) Trade receivables	A-7	2,565,823	3,678,431
(d) Cash and bank balances	A-8	1,636,725	899,794
(e) Short-term loans and advances	A-9	6,569,491	1,211,583
(f) Other current assets		-	-
		10,772,039	10,789,808
		18,192,127	11,973,971

Notes to accounts

Part- B and C

The notes referred to above and accompanying notes form an integral part of the Balance Sheet.

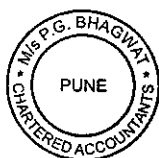
As per our report of even date attached

For M/s P.G. Bhagwat

Chartered Accountants

ABHJEET BHAGWAT

ABHJEET BHAGWAT
Partner



For and on behalf of the Board of Directors

UMESH R. SHASTRI

UMESH R. SHASTRI
Chairman

AVINASH W. PURANDARE

AVINASH W. PURANDARE
Managing Director

PUNE
Date: 14th April 2014

PUNE
Date: 14th April 2014

Kirloskar Systech Limited
Profit and loss statement for the year ended March 31, 2014

		Rupees	
Particulars	Note No.	Figures for current reporting period ending on March 31 2014	Figures for previous reporting period ending on March 31, 2013
I. Revenue from operations	A-10	26,303,222	33,087,899
II. Other income	A-11	417,550	202,634
III. Total Revenue (I + II)		26,720,772	33,290,533
IV. Expenses:			
Cost of materials consumed		-	-
Purchases of Stock-in-Trade		-	-
Changes in inventories of finished goods work-in-progress and Stock-in-Trade		-	-
Employee benefits expense	A-12	14,913,232	19,982,315
Depreciation and amortization expense		436,548	71,081
Other expenses	A-13	8,299,645	7,866,167
Total expenses		23,649,425	27,919,563
V. Profit before exceptional and extraordinary items and tax (III-IV)		3,071,347	5,370,970
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V - VI)		3,071,347	5,370,970
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII- VIII)		3,071,347	5,370,970
X. Tax expense:			
(1) Current tax		590,000	1,500,000
(2) Deferred tax		507,324	122,396
(3) Short provision if income tax on account of earlier year		-	138,059
		1,097,324	1,760,455
XI. Profit (Loss) for the period from continuing operations (IX-X)		1,974,023	3,610,515
XII. Profit/(loss) from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit (Loss) for the period (XI + XIV)		1,974,023	3,610,515
XVI. Earnings per equity share having nominal value of Rs. 10/- per share	C-2		
(1) Basic		39.48	72.21
(2) Diluted		39.48	72.21

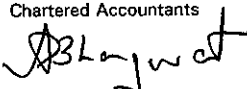
Notes to accounts

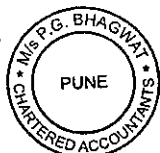
Part- B and C

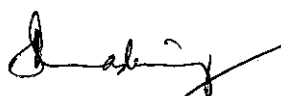
The notes referred to above and accompanying notes form an integral part of the Profit and Loss Statement.

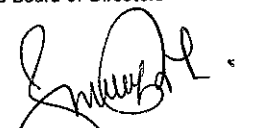
As per our report of even date attached
For M/s P.G. Bhagwat
Chartered Accountants

For and on behalf of the Board of Directors


ABHIJEET BHAGWAT
Partner




UMESH R. SHASTRI
Chairman


AVINASH W. PURANDARE
Managing Director

PUNE
Date: 14th April 2014

PUNE
Date: 14th April 2014

Kirloskar Systech Limited

Cash flow statement for the year ended March 31, 2014

		Rupees	
	Particulars	Figures for current reporting period ending on March 31 2014	Figures for previous reporting period ending on March 31, 2013
A	Cash flows from Operating Activities		
	Net Profit before Taxes and Extraordinary Items		5,370,970
	Adjustments for :-	3,071,348	
1	Depreciation / Amortization expenses	436,548	71,081
2	Dividend Income	-	-202,634
3	Profit on sale of investment	-416,110	-
	Operating profit before working capital changes	3,091,786	5,239,417
	Adjustments for :-		
1	(Increase)/ decrease in Trade & other receivables	-4,242,947	-3,308,277
2	Increase/ (decrease) in Trade Payables and Liabilities	3,742,239	-677,047
	Cash Generated from Operations	2,591,078	1,254,093
	Income Tax (Paid) / Refunded	-592,354	-1,640,414
	Net Cash from Operating Activities (A)	1,998,724	-386,321
B	Cash flows from Investing Activities		
1	Purchase of Tangible Assets	-6,677,903	-1,162,688
2	(Purchase)/ Sale of Investments	5,416,110	241,150
3	Dividend Received	-	202,634
	Net Cash from Investment Activities (B)	-1,261,793	-718,904
C	Cash Flows from Financing Activities		
	Dividend Paid	-	-2,000,000
	Tax on Dividend	-	-324,450
	Net Cash used in Financing Activities	-	-2,324,450
	Net Increase in Cash and Cash Equivalents	736,931	-3,429,675
1	Cash & Cash Equivalents at beginning of period	899,794	4,329,469
2	Cash & Cash Equivalents at end of period (Refer Note A-8)	1,636,725	899,794

As per our report of even date attached

For M/s P.G. Bhagwat
Chartered Accountants

ABHIJEET BHAGWAT
ABHIJEET BHAGWAT
Partner



For and on behalf of the Board of Directors

UMESH R. SHASTRY
UMESH R. SHASTRY
Chairman

AVINASH W. PURANDARE
AVINASH W. PURANDARE
Managing Director

PUNE
Date: 14th April 2014

PUNE
Date: 14th April 2014

Kirloskar Systech Limited
Part A : Notes to Accounts

Particulars	Rupees	
	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of current reporting period ending on March 31, 2013
Note : A-1		
Share Capital		
Authorised		
2,50,000 (50,000) equity shares of Rs.10/ (Rs.10/-) each	2,500,000	500,000
Issued, Subscribed & fully Paid up		
50,000 (50,000) equity shares of Rs.10/ (Rs.10/-) each	500,000	500,000
Total	500,000	500,000

a) Reconciliation of share capital

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of current reporting period ending on March 31, 2013	
	Number	Rupees	Number	Rupees
Shares outstanding at the beginning of the year	50,000	500,000	50,000	500,000
Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	50,000	500,000	50,000	500,000

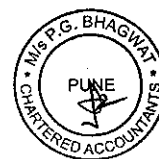
b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of Rs. 10/- per share. Each holder of equity share is entitled for one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended March 31, 2014 the board of directors have proposed dividend of Rs.20/- (40) per share subject to shareholders' approval.

c) Details of share holders holding more than 5% shares

Name of the shareholder	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of current reporting period ending on March 31, 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Brothers Ltd. - Holding Company	50,000	100%	50,000	100%



Kirloskar Systech Limited
Part A : Notes to Accounts

Notes to Accounts

		Rupees	
Particulars	Figures as at the end of current reporting period ending on March 31 2014	Figures as at the end of previous reporting period ending on March 31, 2013	
Note : A-2			
Reserves & Surplus			
(a) General Reserve			
Opening Balance	677,689		316,638
Add Current Year Transfer	197,402		361,051
Closing Balance	875,091		677,689
(b) Surplus			
Opening Balance	1,619,988		694,975
Add Net Profit for the current year	1,974,023		3,610,514
Balance available for appropriation	3,594,012		4,305,489
Less Appropriations :			
Proposed Dividend	1,000,000		2,000,000
Tax on Dividend	162,225		324,450
Transfer to Reserves	197,402		361,051
	-		-
Sub total	1,359,627		2,685,501
Closing Balance	2,234,385		1,619,988
TOTAL	3,109,476		2,297,677

Note : A- 3			
Deferred Tax Liabilities (Net)			
(a) Deferred Tax Liabilities			
i) On depreciation / amortization of fixed assets	725,691		50,939
ii) Other timing differences	-		-
	725,691		50,939
(b) Deferred Tax Assets			
iii) Provision for employee benefits	223,798		56,370
	223,798		56,370
TOTAL	501,893		-5,431

Note : A-4			
Other Current Liabilities			
(i) Salary & Reimbursements	926,307		1,874,958
(ii) Other liabilities	10,109		1,662
(iii) Statutory dues	938,165		825,105
(iv) Provision for expenses	292,944		266,620
TOTAL	2,167,525		2,968,345

Note : A-5			
Short Term Provisions			
(a) Provision for employee benefits			
(i) Gratuity (Funded)			193,513
(ii) Leave Encashment (unfunded)	94,767		1,966,514
(b) Others			
(i) Proposed Dividend	1,000,000		2,000,000
(ii) Income Tax on Dividend	162,225		324,450
TOTAL	1,256,992		4,484,477



Kirloskar Systech Limited
Part A : Notes to Accounts

Note A-6 : Tangible and Intangible Assets

Rupees

Particulars	Tangible Assets			Intangible Assets
	Furniture & Fittings	Computer	Total	Computer Softwares
Gross Block				
At 01.04.2012	65,901	-	65,901	46,200
Additions	39,500	760,302	799,802	362,886
Acquired through business combinations	-	-	-	-
Other adjustments	-	-	-	-
- exchange difference	-	-	-	-
- borrowing costs	-	-	-	-
Disposals	-	-	-	-
Disposals through demerger	-	-	-	-
Revaluation / Impairments	-	-	-	-
As at 31.03.2013	105,401	760,302	865,703	409,086
Additions	-	6,020,090	6,020,090	657,813
Acquired through business combinations	-	-	-	-
Other adjustments	-	-	-	-
- exchange difference	-	-	-	-
- borrowing costs	-	-	-	-
Disposals	-	-	-	-
Disposals through demerger	-	-	-	-
Revaluation / Impairments	-	-	-	-
As at 31.03.2014	105,401	6,780,392	6,885,793	1,066,899
Depreciation/ Amortisation				
At 01.04.2012	3,162	-	3,162	21,814
Charge for the year	6,278	33,733	40,011	31,070
Acquired through business combinations	-	-	-	-
Depreciation on disposal	-	-	-	-
At 31.03.2013	9,440	33,733	43,173	52,884
Charge for the year	6,672	285,888	292,560	143,988
Acquired through business combinations	-	-	-	-
Depreciation on disposal	-	-	-	-
At 31.03.2014	16,112	319,621	335,733	196,872
Net Block				
At 31.03.2013	95,961	726,569	822,530	356,202
At 31.03.2014	89,289	6,460,771	6,550,060	870,027



Kirloskar Systech Limited
Part A : Notes to Accounts

Notes to Accounts

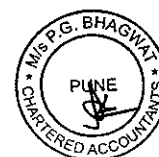
		Rupees	
Particulars	Figures as at the end of current reporting period ending on March 31 2014	Figures as at the end of previous reporting period ending on March 31, 2013	
Note : A-7			
Trade receivables			
(i) Trade receivables outstanding for a period less than six months from the date they are due for payment Unsecured, considered good	2,565,823	3,678,431	
TOTAL	2,565,823	3,678,431	
Note : A-8			
Cash & Bank Balances			
(a) Cash & Cash Equivalents			
(i) Cash on hand	14,421	15,887	
(ii) Balances with banks	1,622,304	883,907	
TOTAL	1,636,725	899,794	
Note : A-9			
Short term loans and advances			
(a) Others			
Unsecured, considered good			
(i) Loans and advances to employees	4,962	28,558	
(ii) Prepaid Expenses	3,569,504	-	
(iii) Claims receivable	1,489,502	523,713	
(iv) Gratuity (Funded)	741,534	-	
(v) Advance Income tax (Net of Provision)	763,989	659,312	
TOTAL	6,569,491	1,211,583	



Kirloskar Systech Limited
Part A : Notes to Accounts

Notes to Accounts

		Rupees
Particulars	Figures for current reporting period ending on March 31 2014	Figures for previous reporting period ending on March 31, 2013
Note : A-10		
Revenue from operations		
Sale of services (refer Notes part C-3)	26,303,222	33,087,899
TOTAL	26,303,222	33,087,899
Note : A-11		
Other Income		
(a) Dividend Income from current investments		
(i) from others	-	202,634
(b) Profit on sale of investments	416,110	-
(c) Miscellaneous Income	1,440	-
TOTAL	417,550	202,634
Note : A-12		
Employee benefits expense		
Salaries, wages and bonus	14,840,685	18,798,261
Contribution to provident fund	569,434	553,495
Gratuity	-741,534	323,376
Contribution to super annuation	224,847	202,032
Welfare expenses	19,800	105,151
TOTAL	14,913,232	19,982,315
Note : A-13		
Other expenses		
Rates and taxes	96,144	-
Repair and maintenance Plant & machinery	186,066	-
Travel and conveyance	453,624	445,586
Postage and telephone	136,157	107,367
Royalties and fees	105,000	105,000
Printing Stationery	35,478	118,015
Professional Fees and computer services	7,120,854	6,828,755
Training and development	-	44,100
Auditor's Remuneration (refer Notes part C-1)	120,000	160,000
Other miscellaneous expenses	46,322	57,344
TOTAL	8,299,645	7,866,167



Part B: Notes to Accounts

Significant Accounting Policies

1. Basis of preparation of financial statements

- a) The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India. The financial statements have been prepared to comply in all material respects with The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared under the historical cost convention on an accrual basis.
- c) The accounting policies applied by the Company are consistent with those used in the previous year except for the change in accounting policy explained below.

2. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumption that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.

3. Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4. Depreciation

Depreciation on fixed assets has been provided in a manner that amortizes the cost of the assets over their estimated useful lives on straight line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956.

5. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

- a) Sale of products and services are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and when services are rendered.

- b) Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved. In such cases revenue is recognized only when it is reasonably certain that the ultimate collection will be made.
- c) Interest: Accrues on the time basis determined by the amount outstanding and the rate applicable.

6. Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment (if any). The cost of a fixed asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs attributable to construction or acquisition of qualifying fixed assets for the period up to the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset to which they relate.

7. Foreign Currency Transactions

- a) Initial Recognition: A foreign currency transaction is recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b) Conversion: At the year end, monetary items denominated in foreign are converted into rupee equivalents at the year-end exchange rates.
- c) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Account.

8. Investments

Investments are classified as trade when investment is made in the shares or debentures of another company, not being its subsidiary, for the purpose of promoting the trade or business of the company.

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investment is made are classified as current investments. All other investments are classified as long-term investments.

- a) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- b) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

9. Employee Benefits

Short term compensated absences benefits (both vesting and non-vesting) are accounted for on the basis of the actual valuation of the leave entitlement as on the balance sheet date.

The actuarial valuations in respect of post-employment defined benefit plans and long term employee benefits as at the balance sheet date are measured using Projected Unit Credit Method.

I. Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

II. Post-Employment Benefits:

a) Defined Contribution Plans:

The Company's superannuation scheme and state governed provident fund scheme are the defined contribution plans. The contribution paid/payable under the schemes are recognized during the period in which the employee renders the related service.

b) Defined Benefit Plans:

The employees' gratuity fund scheme is the Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Statement.

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expenses on a straight-line basis over the average period until the benefits become vested.

III. Long Term Employee Benefits:

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in note II (b) above.

Accumulated leave that is expected to be utilized within the next 12 months is treated as short term employee benefits.

10. Earnings per share

Basic earnings per share

For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders after deducting any attributable tax thereto for the period is divided by weighted number of equity shares outstanding during the period.

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

11. Taxes on Income

- a) Tax on income for the current period is determined on the basis of taxable income after considering the various deductions available under The Income Tax Act, 1961.
- b) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.
- c) Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each reporting date the company reassesses the unrecognized deferred tax assets and reviews the deferred tax assets recognized.

12. Intangible Assets

The company has computer software as acquired intangible asset. It is amortized over a period of 3 years on straight line method.

The company recognizes expenditure on research or research of an internal project as an expense when it is incurred.

13. Provisions

A Provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources is expected to settle the obligation, in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Kirloskar Systech Limited
NOTES TO ACCOUNTS - Part C

		Rupees	
		2014	2013
C - 1	Remuneration to Auditors		
	Statutory Auditors :		
	a) Audit Fees	100,000	100,000
	b) Tax Audit Fees	20,000	20,000
	c) Certification and other services	-	40,000
	Total	120,000	160,000
C - 2	Earning per Share (Basic and diluted)		
	I - Basic		
a)	Profit for the year before tax	3,071,347	5,370,969
	Less : Attributable Tax thereto	1,097,324	1,760,455
	Profit after Tax	1,974,023	3,610,514
b)	Weighted average number of equity shares used as denominator	50,000	50,000
c)	Basic earning per share of nominal value of Rs 10/- each	39.48	72.21
C - 3	Information in respect of Services rendered :		
	Consultancy charges	22,325,959	31,527,329
	IT support services	2,282,908	-
	Visit charges	1,694,355	1,560,570
	Total	26,303,222	33,087,899



C-4 Employee Benefits :

- i Defined Contribution Plans:
Amount of Rs 7,94,281 (Rs. 755,527/-); is recognised as an expense and included in "Employee benefits expense" (Part A - 12) in the Profit and Loss Account.

- ii Defined Benefit Plans:
a) The amounts recognised in Balance Sheet are as follows:

Particulars	Amount - Rupees	
	As at 31-03-2014	As at 31-03-2013
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
A. Amount to be recognised in Balance Sheet		
Present Value of Defined Benefit Obligation	1,161,541	1,747,756
Less: Fair Value of Plan Assets	1,903,075	1,554,243
Amount to be recognised as liability or (asset)	(741,534)	193,513
B. Amounts reflected in the Balance Sheet		
Liabilities	-	-
Assets	(741,534)	193,513
Net Liability/(Assets)	(741,534)	193,513

- b) The amounts recognised in Profit and Loss Account are as follows:

Particulars	Amount - Rupees	
	As at 31-03-2014	As at 31-03-2013
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Current Service Cost	203,572	276,723
2 Interest Cost	138,073	120,759
3 Expected Return on Plan Assets	(148,590)	(127,863)
4 Actuarial Losses/(Gains)	(934,589)	(76,106)
5 Past Service Cost	-	-
6 Effect of any curtailment or settlement	-	-
7 Actuarial Gain not recognised in books	-	-
8 Adjustment for earlier years	-	-
Total included in Part A -12 "Employee benefits expense"	(741,534)	193,513
Actual Return on Plan Assets	9.00%	9.00%

- c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Amount - Rupees	
	As at 31-03-2014	As at 31-03-2013
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Balance of the present value of Defined benefit Obligation as at 01-04.2013	1,747,756	1,420,697
2 Add: Current Service Cost	203,572	276,723
Add: Interest Cost	138,073	120,759
3 Add/(less): Actuarial losses / (gains)	(927,860)	(70,423)
4 Less: Benefits paid	-	-
5 Balance of the present value of Defined Benefit Obligation as at 31-03-2014	1,161,541	1,747,756



- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Particulars	Amount - Rupees	
	Gratuity	Gratuity
	Plan (Funded)	Plan (Funded)
	As at 31-03-2014	As at 31-03-2013
1 Opening balance of the fair value of the plan assets as at 01-04-2013	1,554,243	1,420,697
2 Add: Expected Return on plan assets	148,590	127,863
3 Add/(less) : Actuarial gains/(losses)	6,729	5,683
4 Add: Contribution by the employer	193,513.00	-
5 Less: Benefits paid	-	-
6 Closing balance of the plan assets as at 31-03-2014	1,903,075	1,554,243

- e) The broad categories of plan assets as a percentage of total plan assets as at 31-03-2014 of Employee's Gratuity Scheme are as under.

Sr. No	DESCRIPTION	Percentage	Percentage
		2014	2013
1	Central & State Govt. Securities	42.07	42.07
2	Approved Marketable Securities	1.35	1.35
3	Bonds/Debentures etc.	42.85	42.85
4	Loans	0.00	0.00
5	Equity	5.22	5.22
6	Liquid Fund/Money Market Instrument	8.51	8.51
7	Preference Shares	0.00	0.00
	Grand Total	100.00	100.00

Basis used to determine the overall expected return:

Life Insurance Corporation (LIC) manages the investments of Employee Gratuity Scheme. Expected rate of return on investments is determined based on the assessment made by the LIC at the beginning of the year on the return expected on its existing portfolio.

- f) Principal actuarial assumptions at the balance sheet (expressed as weighted averages)

- Discount rate as at 31-03-2014 - 9.10%
- Expected return on plan assets as at 31-03-2014 - 9.00%
- Salary growth rate : For Gratuity Scheme - 10%
- Attrition rate: For gratuity scheme 15 %

- 5 The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

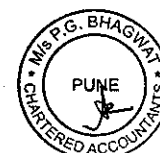
- g) The amounts pertaining to defined benefit plans are as follows:

Particulars	Amount - Rupees	
	Gratuity	Gratuity
	Plan (Funded)	Plan (Funded)
	As at 31-03-2014	31.03.2013
Defined Benefit Obligation	1,161,541	1,747,756
Plan Assets	1,903,075	1,554,243
Surplus/(Deficit)	741,534	(193,513)

- h) General descriptions of defined plans:

1 Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier.



C - 5 Related Party Disclosures

(A) Names of the related party and nature of relationship where control exists

Sr.No	Name of the related party	Nature of relationship
1	Kirloskar Brothers Limited	Holding Company

B) Related Party Transactions :

Name of the related party	2014	2013
Kirloskar Brothers Limited (Holding Company)		
Sales	24,774,416	32,622,359
Receipt of share capital	-	629,700
Purchase of capital assets	-	3,649,411
Reimbursement of expenses	1,906,040	215,600
Services Received	6,000,000	6,600,000
Balance outstanding	1,996,125	3,649,411
Karad Projects and Motors Limited (Fellow Subsidiary Company)		
Sales	410,175	45,540
Reimbursement received	-	14,300
Purchase of capital assets	-	130,602
Balance outstanding	439,195	29,020
Kirloskar Corrocoat Pvt Ltd. (Fellow Subsidiary Company)		
Sales	229,986	-
Reimbursement received	-	-
Purchase of capital assets	-	-
Balance outstanding	229,986	-
SPP PUMPS LIMITED (Fellow Subsidiary Company)		
Sales	1,010,877	-
Reimbursement received	-	-
Purchase of capital assets	-	-
Balance outstanding	1,010,877	-
SPP PUMPS Inc (Fellow Subsidiary Company)		
Sales	85,994	-
Reimbursement received	-	-
Purchase of capital assets	-	-
Balance outstanding	85,994	-

C - 6 As per the information available with the Company till date; none of the suppliers have informed the company about their having registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". As such, information as required under this Act, cannot be compiled and therefore, not disclosed for the year.

C - 7 Earning in Foreign Currency

Sr. No	Particular Export Service	2014	2013
1	Export of IT Support Service (For 2013-14 Currency GBP 10,108)	982,186	-
2	Export of IT Support Service (For 2013-14 Currency USD 1,421)	76,535	-

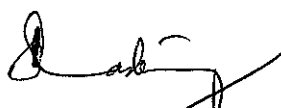
C - 8 Figures of the previous have been regrouped wherever necessary. Figures in bracket relate to the previous year.

As per our report of even date attached

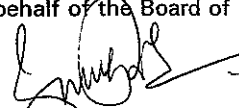
For M/s P.G. Bhagwat
Chartered Accountants

ABHIJEET BHAGWAT
Partner




UMESH R. SHASTRI
Chairman

For and on behalf of the Board of Directors


AVINASH W. PURANDARE
Managing Director

PUNE
Date: 14th April 2014

PUNE
Date: 14th April 2014