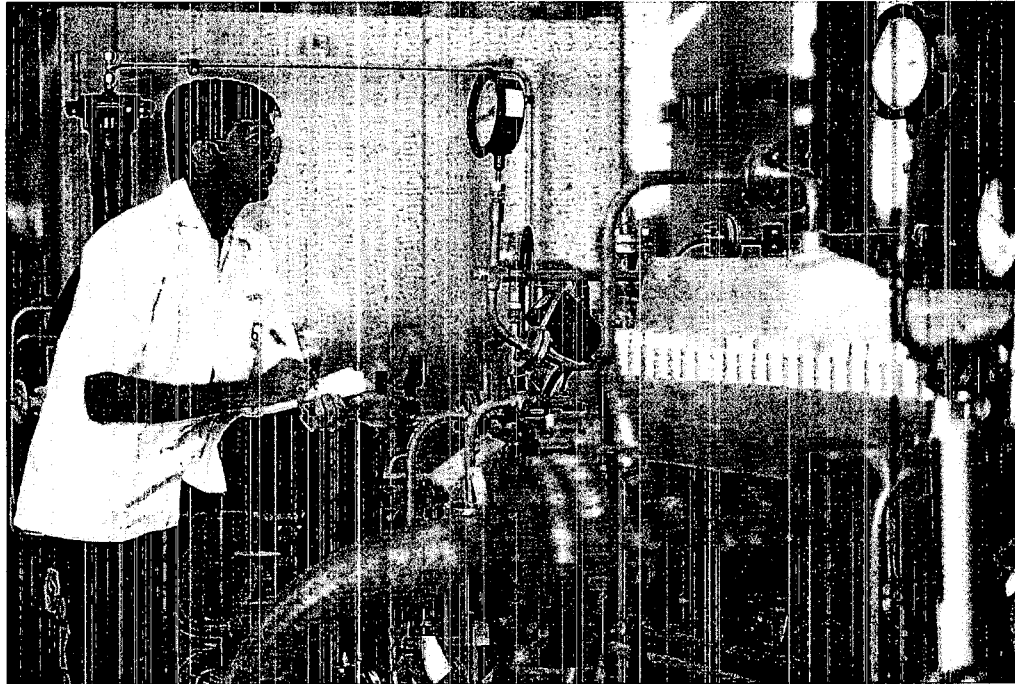


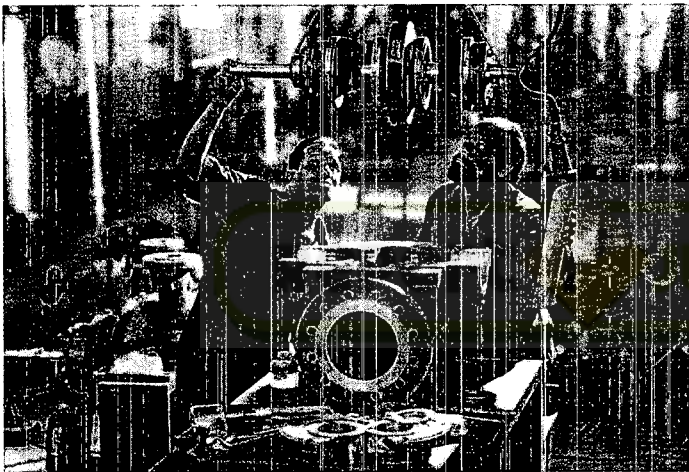
38TH ANNUAL REPORT 1997-98

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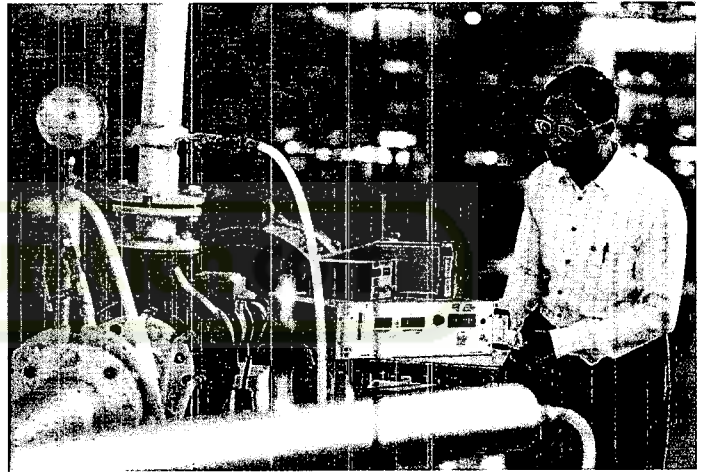




Multistage high pressure pump under testing at Chinchwad factory.



Assembly of axially split casing pump at Pimpri factory.



Pump under testing at Pimpri factory.





GENERAL INFORMATION

BOARD OF DIRECTORS

A. V. SETALVAD (Chairman)
A. R. BROACHA
D. N. DAMANIA
J. GERSTNER
N. N. KAMPANI
M. SWARUP
P. WURZBACHER
C. V. SAHA (Dy. Managing Director)
B. LANGEBARTELS (Managing Director)

REGISTERED OFFICE

126, MAKER CHAMBERS III
NARIMAN POINT, MUMBAI 400 021

HEAD OFFICE

PIMPRI, PUNE 411 018

ZONAL OFFICES

NORTH — DELHI
Offices — Bareilly, Chandigarh, Jaipur & Lucknow
EAST — CALCUTTA
Offices — Bhubaneswar, Durgapur, Guwahati,
Jamshedpur & Raipur
WEST — PUNE
Offices — Ahmedabad, Aurangabad, Baroda, Indore,
Mumbai, Nagpur & Nashik.
SOUTH — CHENNAI
Offices — Bangalore, Hubli, Kochi, Secunderabad &
Vijaywada

FACTORIES

PIMPRI, PUNE 411 018
(Irrigation & Process Pumps Division)
CHINCHWAD, PUNE 411 019
(Power Projects Division)
VAMBORI 413 704, DIST. AHMEDNAGAR
(Foundry Division)
NSN PALAYAM, COIMBATORE 641 031
(Water Pumps & Valves Division)
SINNAR, DIST. NASHIK 422 103
(Pumps & Valves Division)

COLLABORATORS

KSB AKTIENGESELLSCHAFT, GERMANY

BANKERS

CENTRAL BANK OF INDIA
DEUTSCHE BANK AG
ANZ GRINDLAYS BANK plc.

AUDITORS

A. F. FERGUSON & CO.

REGISTRARS & TRANSFER AGENTS

IIT CORPORATE SERVICES LTD.

REGISTRARS TO FIXED DEPOSIT SCHEME

TATA CONSULTANCY SERVICES

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FINANCIAL POSITION AT A GLANCE

CAPITAL

	Rs. in '000s	
	1997-98	1996-97
ASSETS OWNED		
1. Fixed Assets (Net)	542,746	530,500
2. Investments	141,608	79,448
3. Current Assets (Net)	380,312	502,050
TOTAL	1,064,666	1,111,998
FINANCED BY		
1. Loans	317,364	407,104
2. Net Worth*	747,302	704,894
TOTAL	1,064,666	1,111,998
* Represented by		
Share Capital	174,030	174,030
Reserves (Net)	573,272	530,864
TOTAL	747,302	704,894

REVENUE

	Rs. in '000s	
	1997-98	1996-97
INCOME EARNED		
1. Sales, Erection and other charges	1,660,995	1,862,478
2. Other Income	48,457	42,351
3. Increase/(Decrease) in Stocks	(33,768)	64,887
TOTAL	1,675,684	1,969,716
INCOME DISTRIBUTED		
1. Materials Consumed	616,842	829,141
2. Employee Cost	282,336	269,754
3. Expenses	428,926	421,157
4. Extra-ordinary items	73,900	—
5. Interest	54,921	67,533
6. Depreciation	74,786	69,518
7. Taxation	45,000	126,000
8. Dividend (including dividend tax)	57,430	55,690
9. Retained Income	41,543	130,923
TOTAL	1,675,684	1,969,716



NOTICE

NOTICE is hereby given that the thirty-eighth annual general meeting of KSB PUMPS LIMITED will be held at Bajaj Bhavan, Ground Floor (Kamalnayan Bajaj Hall), 226, Nariman Point, Mumbai 400 021, on Tuesday, 21st July, 1998 at 3.00 p.m. to transact the following items of business :

1. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March, 1998, the Board's Report and the Auditors' Report.
2. To declare dividend.
3. To appoint a Director in place of Mr. A. R. Broacha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. N. Kampani who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. V. Setalvad who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting, and to fix their remuneration.
7. To consider and, if thought fit, to pass the following resolution, with or without modification, as a SPECIAL RESOLUTION:

"RESOLVED subject to the provisions of sections 198, 269, 309 310, 314 and other applicable provisions, if any, of the Companies Act, 1956 that the Company do appoint Mr. A. V. Setalvad as a Whole-time Director of the Company from 20th June, 1998 for a period of five years with an authority to the Board of Directors to pay to Mr. Setalvad remuneration and perquisites within the maximum limits specified below :—

(a) Salary:

In the scale of Rs. 50,000 — 5,000 — 1,50,000 p.m. as may be approved by the Board with liberty to withhold or give more than one increment per year.

(b) Commission:

At 1% of the net profits of the Company subject to a ceiling of 50% of the annual salary, provisionally payable monthly on a *pro-rata* basis subject to final adjustment on approval of accounts.

(c) Bonus:

Performance linked bonus not exceeding one year's salary payable annually as may be approved by the Board.

(d) Perquisites:

Perquisites will be in addition to salary, commission and bonus. Perquisites will be restricted in value to Rs. 15,00,000 per annum and the same shall be computed as hereinafter provided.

(i) Housing:

Furnished residential accommodation or in lieu thereof house rent allowance per month at 50% of monthly salary with free fuel, gas, electricity, water and furnishings or reimbursement of charges thereof.

(ii) Medical Reimbursement:

Of actual expenses incurred in or outside India for self and family.

(iii) Leave Travel Concession:

For self and family, once in a year in accordance with Rules of the Company.

(iv) Club/Membership Fees:

Fees (including entrance/admission) subject to a maximum of any two clubs.

(v) Personal Accident Insurance:

Of an amount, the annual premium of which, not to exceed Rs. 10,000.

(vi) Provident Fund/Superannuation Fund/Annuity:

Benefit of the Company's Provident Fund, and the benefit of any superannuation, annuity fund or scheme or of any retirement fund or scheme which the Company may introduce in future.

(vii) Gratuity:

Benefit under the Company's Gratuity scheme.

(viii) Car:

Free use of car with driver on Company's business.

(ix) Telephone:

Use of telephone at residence.

(x) Leave:

On full pay and allowance as per Rules of the Company. Encashment of leave will be permitted.

(e) For the purpose of calculating the value of perquisites hereinabove, items at (vi) to (x) shall be excluded. Perquisites shall be evaluated as per Income-tax Rules wherever applicable or at actual cost.

(f) In the event of no profits or inadequacy of profits in any financial year, Mr. Setalvad shall be paid remuneration and perquisites in accordance with section II of Part II of Schedule XIII of the said Act.

(g) Mr. Setalvad, so long as he functions as a Whole-time Director, shall not be entitled to receive any fees for attending meetings of the Board of Directors and/or any committees thereof.

(h) In the event of death during the term of his office, the Company shall pay to Mr. Setalvad's legal heirs his full salary and other emoluments for that month and three months' thereafter".

8. To consider and, if thought fit, to pass the following resolution with or without modification, as a SPECIAL RESOLUTION:

"RESOLVED in accordance with the provisions of the Companies Act, 1956, that upon Mr. C. V. Saha being appointed on 25th November, 1997 as Managing Director of MIL Controls Limited

(MIL), the remuneration and perquisites payable by the Company to Mr. Saha as Dy. Managing Director of the Company in terms of the resolution passed by the members at the annual general meeting of the Company held on 12th August, 1997 shall with effect from 25th November, 1997 and upto 6th December, 1998 (being the unexpired residue of his renewed term of office as Dy. Managing Director of the Company) be modified so as, to provide, that the total remuneration received by him from both, the Company as also from MIL shall be further subject to section III of Part II of Schedule XIII of the said Act, for the time being in force".

9. To consider and, if thought fit, to pass the following resolution with or without modification, as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to article 113 of the Articles of Association of the Company, sections 198, 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if necessary, consent of the Company be and is hereby accorded to the payment of remuneration to directors (excluding the Managing Director, Dy. Managing Director and Whole-time Directors) by way of commission calculated at the rate of 1% of the net profits of the Company or Rs. 15,00,000 whichever is less for each of the five financial years commencing from 1st April, 1998, with an authority to the Board of Directors to determine the amount of commission payable to such directors within the limits aforesaid."

NOTES :

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

(b) An explanatory statement under section 173 of the Companies Act, 1956, in respect of business under items 7 to 9 is annexed hereto.

(c) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 1st July, 1998 to Tuesday, 21st July, 1998 (both days inclusive).

(d) Dividend if declared will be paid on or after 4th August, 1998 to those members whose names appear in the Company's Register of Members on 21st July, 1998.

(e) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred to General Revenue Account of the Central Government, all dividend declared upto the Interim Dividend for the year 1994-95, and remaining unclaimed. Concerned shareholders can receive the amount of their unclaimed dividend from the Registrar of Companies, Maharashtra, at Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kala Chowki,

Chinchpokli (E), Mumbai 400 033, upon preferring an application in the form prescribed under the said Rules.

By Order of the Board
A. V. SETALVAD
Chairman

Registered Office :
126, Maker Chambers III
Nariman Point
Mumbai 400 021
Mumbai, 9th June, 1998

ANNEXURE TO THE NOTICE

Explanatory Statement as required by section 173 of the Companies Act, 1956.

ITEM 7:

At the annual general meeting of the Company, held on 7th July, 1993, members of the Company had approved the terms and conditions of Mr. A. V. Setalvad's appointment as a Whole-time Director of the Company for a period of five years with effect from 20th June, 1993. Mr. Setalvad's appointment and payment of remuneration and perquisites were in accord with Schedule XIII of the Companies Act, 1956. Subject to this at the annual general meeting held on 21st July, 1994 and 12th August, 1997, respectively, members of the Company had approved payment of increased remuneration and perquisites to Mr. Setalvad for the then applicable unexpired residue of his term of office in accordance with Schedule XIII of the said Act.

At the meeting held on 9th June, 1998, the Board of Directors of the Company re-appointed Mr. Setalvad as a Whole-time Director of the Company for a further period of five years with effect from 20th June, 1998 upon the terms and conditions set out in the resolution at item 7 of the Notice. The re-appointment of Mr. Setalvad as a Whole-time Director of the Company and the payment of remuneration and perquisites are in accord with Schedule XIII of the Companies Act, 1956. Necessary return in this regard will be filed with the concerned authority as required by the Companies Act, 1956.

Mr. Setalvad has wide experience in finance, administration and managerial matters and is

associated with the Company's development since inception. The Directors consider that the re-appointment of Mr. Setalvad as a Whole-time Director will better serve the interest of the Company.

The Directors recommend the resolution at item 7 of the Notice for approval of members.

No Director of the Company, save and except Mr. A. V. Setalvad is concerned or interested in the resolution at item 7 of the Notice since it relates to his re-appointment, remuneration and perquisites.

The accompanying Notice may be regarded as an abstract of the terms of re-appointment and as Memorandum of Concern or Interest under section 302 of the Companies Act, 1956.

ITEM 8:

At the annual general meeting of the Company held on 23rd August, 1996 members of the Company had approved the terms and conditions of re-appointment of Mr. C. V. Saha as Dy. Managing Director of the Company for a period of three years from 7th December, 1995. Mr. Saha's re-appointment and payment of remuneration and perquisites were in accord with the said Schedule XIII of the Companies Act, 1956. At the annual general meeting of the Company held on 12th August, 1997, members of the Company had approved payment of increased remuneration and perquisites to Mr. Saha with effect from 1st January, 1997 upto 6th December, 1998 being the unexpired residue of his term of office. This was also in accord with the said Schedule XIII.

On 25th November, 1997 Mr. C. V. Saha was appointed Managing Director of MIL Controls Limited (MIL) in which 49% of the equity share capital is held by the Company. As per the amended Schedule XIII of the Companies Act, 1956, a managerial personnel can draw remuneration from one or both the companies provided that the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial personnel. The remuneration of Mr. Saha from the Company and MIL together will not exceed the higher remuneration and perquisites laid down in the resolution passed by the members of the Company at the annual general meeting held on 12th August, 1997. The resolution at item 8 of the notice, is therefore, consequential upon Mr. Saha also holding office of Managing Director of MIL.

The Directors recommend the resolution at item 8 of the Notice for approval of members.

Mr. Saha is concerned or interested in the resolution at item 8 of the Notice since it relates to payment of remuneration and perquisites to him. No other Director is concerned or interested in the said resolution.

The accompanying Notice may be regarded as modification of abstract of the terms of payment of remuneration and perquisites and as modification of Memorandum of Concern or Interest under section 302 of the Companies Act, 1956, already circulated to members.

ITEM 9 :

The Company's business and operations have grown considerably over the years. The Directors of the Company have contributed to the growth of the Company. The Directors of the Company (excluding the Managing Director, Dy. Managing Director and Whole-time Directors) be remunerated for their services. It is proposed that the remuneration be limited to an amount not exceeding 1% of the net profits of the Company or Rs. 15 lacs whichever is less. The first payment of remuneration, as aforesaid, is to relate to the financial year 1998-99 and will extend over four years thereafter. This remuneration would be in addition to the sitting fees payable.

The members are requested to pass the resolution set out at item 9 of the Notice.

All the Directors, except Mr. B. Langebartels, Managing Director, Mr. C. V. Saha, Dy. Managing Director and Mr. A. V. Setalvad, Whole-time Director shall be deemed to be concerned or interested in this resolution as it pertains to payment of remuneration to them.

By Order of the Board

A. V. SETALVAD
Chairman

Registered Office :

126, Maker Chambers III
Nariman Point
Mumbai 400 021
Mumbai, 9th June, 1998



BOARD'S REPORT

To
The Shareholders,

The Board of Directors have pleasure to submit the report and audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results :

	Rs. in '000	
	1997-98	1996-97
Sales & Other Income	1,709,452	1,504,829
Profit before taxation & extra-ordinary items	217,873	312,080
Extra-ordinary items	73,900	—
Provision for tax on income	45,000	126,000
Profit after tax	98,973	186,080
Adjustment of tax of earlier years	—	533
Profit for appropriation	98,973	186,613
Appropriation:		
Dividend	52,209	52,209
Tax on Dividend	5,221	3,481
General Reserve	41,543	130,923
	98,973	186,613

(ii) Dividend :

An interim dividend of 10% was paid during the year. The Board of Directors propose a final dividend of 20% making a total of 30% for the year, which is the same as the previous year.

GENERAL REVIEW

(i) Working :

a) The Company's sales and other income, and profit before tax were lower by 10% and 54% respectively, compared to previous year. However, in properly relating the figures, a one time expenditure

incurred during the year (Rs. 73,900 thousand), on Voluntary Retirement Scheme and major repairs, ought to be excluded. As a manufacturer of capital equipment the Company's working is closely linked to developments in the industrial and agricultural sectors. With industrial growth in FY'98 down by 40% and agriculture growth negative, the resultant market conditions have affected the Company's turnover and margins.

b) There is no change in the situation at PPD with regard to NPCIL orders. No clear cut indication has been received with regard to the execution of the orders from NPCIL. Status quo continues. As stated last year, this is unlikely to have a negative effect on the Company's working.

(ii) Sources of funds:

During the year the Company has raised Rs. 110,000 thousand by issue of 3 years 13.5% Redeemable Non-Convertible Debentures to a bank. The proceeds of Debentures have been utilised to repay higher cost debt.

(iii) Fixed Deposits :

The Company has no unpaid deposits except those unclaimed after the period of maturing. As on 31st March, 1998, 37 depositors (Rs. 3,057 thousand) had not claimed their deposits on the due dates.

(iv) Subsidiary & Affiliate :

During the year, Grade-o-Castings Ltd. made a profit of Rs. 1,189 thousand. The accumulated losses have been cleared.

The Company, alongwith its Collaborators, KSB AG, Germany, acquired 49% of the equity share capital of MIL Controls Limited (MIL). MIL has made a profit before tax of Rs. 27,111 thousand for the year ended 31st March, 1998 (previous year Rs. 23,437 thousand). Mr. C. V. Saha Dy. Managing Director holds office of Managing Director



BOARD'S REPORT (Contd.)

of MIL. MIL has appointed the Company, as sole selling agent for domestic sales for a period of three years from 25th November, 1997.

DIRECTORS

Mr. A. R. Broacha, Mr. N. N. Kampani and Mr. A. V. Setalvad retire by rotation and are eligible for re-appointment.

Dr. K. Wiegand, due to his retirement from KSB Group, resigned as a Director on 2nd March, 1998. The Board of Directors wish to record their appreciation of the services rendered by Dr. Wiegand as a Director. Mr. Peter Wurzbacher was appointed as a Director with effect from 2nd March, 1998 to fill the casual vacancy caused by the resignation of Dr. Wiegand.

ACKNOWLEDGEMENTS

The Board of Directors are grateful to Canadian Kay Pump Ltd. the main shareholder, and the Company's collaborators, for their valuable, assistance and support. They wish to record their appreciation for the co-operation and support of the Company's Bankers and other lending institutions, all employees including the workers, staff and middle management and all others concerned with the Company's business.

PARTICULARS OF EMPLOYEES

The particulars prescribed under section 217(2A) of the Companies Act, 1956 are furnished in the annexure to this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the annexure to this report.

AUDITORS

You are requested to appoint auditors for the current year and fix their remuneration. The retiring auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants, are eligible and offer themselves for re-appointment. The Company has received a certificate from Messrs. A. F. Ferguson & Co., to the effect that their re-appointment, if made, will be within the prescribed limits specified in section 224(1-B) of the Companies Act, 1956.

On behalf of the Board of Directors,

A. V. SETALVAD

Mumbai, 9th June, 1998

Chairman