

39TH ANNUAL REPORT 1998 - 99

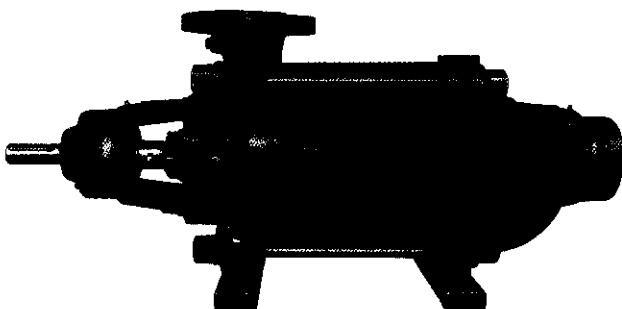




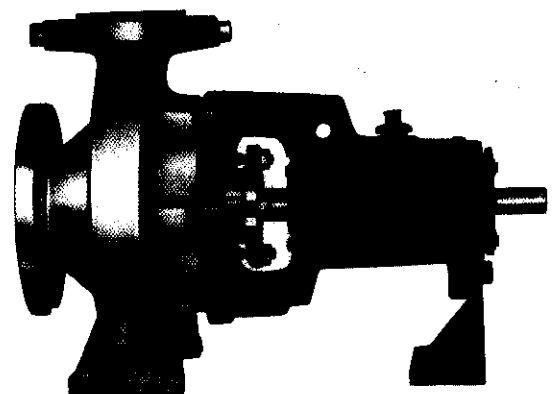
A battery of MOVICHROM pumps.



Mr. P. Wurzbacher, Director & Board Member - KSB AG, launches new generation of butterfly valves.



Multitec-high pressure multistage pump in modular construction.



Megachem - high efficiency pump for chemical industry.



GENERAL INFORMATION

BOARD OF DIRECTORS

A. V. SETALVAD (Chairman)
 A. R. BROACHA
 D. N. DAMANIA
 N. N. KAMPANI
 P. WURZBACHER
 DR. A. SUSANTO
 M. SWARUP
 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 — Bhubaneshwar, Durgapur, Guwahati,
 Jamshedpur & Raipur
WEST — MUMBAI
 Offices — Ahmedabad, Aurangabad, Baroda, Indore,
 Nagpur & Pune.
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

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BANKERS

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

AUDITORS

A. F. FERGUSON & CO.

REGISTRARS & TRANSFER AGENTS

IIT CORPORATE SERVICES LTD.

REGISTRARS TO
 FIXED DEPOSIT SCHEME
 KISU CORPORATE SERVICES



FINANCIAL POSITION AT A GLANCE

CAPITAL

	Rs. in 'million	
	1998-99	1997-98
ASSETS OWNED		
1. Fixed Assets (Net)	539,4	542,8
2. Investments	83,3	141,6
3. Current Assets (Net)	553,7	380,3
TOTAL	1176,4	1064,7
FINANCED BY		
1. Loans	347,6	317,4
2. Net Worth*	828,8	747,3
TOTAL	1176,4	1064,7
* Represented by		
Share Capital	174,0	174,0
Reserves (Net)	654,8	573,3
TOTAL	828,8	747,3

REVENUE

	Rs. in 'million	
	1998-99	1997-98
INCOME EARNED		
1. Sales, Erection and other charges	2035,3	1661,0
2. Other Income	68,3	48,5
3. Increase/(Decrease) in Stocks	35,5	(33,8)
TOTAL	2139,1	1675,7
INCOME DISTRIBUTED		
1. Materials Consumed	928,6	616,9
2. Employee Cost	319,6	282,4
3. Expenses	553,2	428,9
4. Extra-ordinary items	—	73,9
5. Interest	44,3	54,9
6. Depreciation	83,2	74,8
7. Taxation	71,5	45,0
8. Dividend (including dividend tax)	57,7	57,4
9. Retained Income (including Debenture Redemption Reserve)	81,0	41,5
TOTAL	2139,1	1675,7



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, 1999.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results :

	Rs. in million	
	1998-99	1997-98
Sales & Other Income	2103,6	1709,5
Profit before taxation & extra-ordinary items	213,0	217,8
Extra-ordinary items	—	73,9
Provision for tax on income	71,5	45,0
Profit after tax	141,5	98,9
Adjustment of tax of earlier years	2,8	—
Profit for appropriation	138,7	98,9
Appropriation:		
Dividend	52,2	52,2
Tax on Dividend	5,5	5,2
Debenture Redemption Reserve	36,7	—
General Reserve	44,3	41,5
	138,7	98,9

(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 previous year.

GENERAL REVIEW

(i) Working :

- a) The Company has achieved higher output and sales compared to the previous year. However, margins have been under

pressure, mainly due to adverse conditions in the capital equipment market due to slow down in industrial growth. Projects in the Fertilizer, Petrochemical, Refineries, Power and other sectors which use large pumps in size and numbers, have been absent or consistently delayed and investment decisions postponed. The Company is taking necessary steps to economise in all its functions.

- b) Negotiations have commenced, for a final settlement of the various aspects of the contracts with NPCIL for the manufacture of pumps for nuclear power stations at PPD. This is unlikely to have a negative effect on the Company's working.

(ii) Sources of funds:

During the year the Company has repaid first instalment of Rs. 36,7 million of 13.5% Redeemable Non-Convertible Debentures.

(iii) Fixed Deposits :

The Company has no unpaid deposits except those unclaimed after the period of maturing. As on 31st March, 1999, 73 depositors (Rs. 0,9 million) had not claimed their deposits on the due dates.

(iv) Subsidiary & Affiliate :

During the year, Grade-o-Castings Ltd. (GOC) made a loss of Rs. 1,5 million. In accordance with the Companies (Amendment) Act, 1999 interest has been charged with effect from 1st November, 1998 on the amount of loan made to GOC.

The affiliate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs. 30,8 million for the year ended 31st March, 1999 (previous year Rs. 27,1 million).

(v) Y2K Compliance :

The Company has drawn a detailed plan of action of Y2K Compliance both for IT Systems and non-IT related areas. The Y2K risk is manageable. Efforts are being made



BOARD'S REPORT (Contd.)

for hardware and software to be Y2K compliant by 30th September, 1999. The total cost involved is expected to be Rs. 30,0 million. The Company has set up a steering committee to monitor, implement and meet any contingency that may arise.

DIRECTORS

Mr. C. V. Saha and Mr. D. N. Damania retire by rotation and are eligible for re-appointment.

During the year Mr. J. Gerstner resigned as a Director with effect from 29th January, 1999. The Board of Directors wish to record their appreciation of the services rendered by Mr. J. Gerstner as a Director. Dr. A. Susanto was appointed as a Director with effect from 29th January, 1999 to fill the casual vacancy.

Mr. P. Wurzbacher was appointed as a Director with effect from 2nd March, 1998 to fill the casual vacancy caused by the resignation of Dr. K. Wiegand and retires at the ensuing annual general meeting. The Company has received a notice in writing proposing his candidature for the office of Director under section 257 of the Companies Act, 1956.

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
Chairman

Mumbai, 28th May, 1999



AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of KSB Pumps Limited as at 31st March, 1999 together with the annexed Profit and Loss Account of the Company for the year ended on that date and report that :

- (1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, a statement on the matters specified in paragraphs 4 and 5 of that order is annexed.
- (2) Further to our comments in the statement referred to in paragraph (1) above :
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (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 the books;
 - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

F. M. CHINOY
(Partner)

Mumbai, 1st June, 1999



ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KSB PUMPS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999.

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. As explained to us, the management has physically verified fixed assets during the year, other than patterns lying with third parties for which confirmations have been obtained from parties in most of the cases, and no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. Physical verification has been conducted by the management during the year in respect of finished goods, stores, spare parts and raw materials. In respect of stocks lying with third parties, confirmations have been obtained for a major portion of stocks. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification, between physical stocks and book records, were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties, listed in the register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are prima facie prejudicial to the interests of the Company. We are informed that there are no companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
8. As explained to us, in the case of loans and advances made to the subsidiary of the Company there are no stipulations as to the repayment of principal and interest. In respect of loans and advances in the nature of loans where stipulations have been made, parties are generally repaying the principal amount as stipulated or as rescheduled. Such loans are interest free.
9. In our opinion and according to the information and explanations given to us and having regard to the explanation that some of the items purchased/sold are of a special nature and for which comparable alternative quotations/prices are not available, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
10. In our opinion and according to the information and explanations given to us, where purchases/sales have been made from/to different parties and have not been explained to be of a special nature, the transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable, having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
11. In our opinion and according to the information and explanations given to us, unserviceable or damaged stores, raw materials and finished goods have been determined by the management and adequate provision has been made in the accounts for the loss so determined.
12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.



ANNEXURE TO THE AUDITORS' REPORT (Contd.)

13. In our opinion, reasonable records have been maintained by the Company of the sale and disposal of scrap. As explained to us, the Company's manufacturing process does not generate any realisable by-product.
14. The Company has an internal audit system which is commensurate with the size and nature of the Company's business.
15. We have broadly reviewed the books of account maintained by the Company relating to the manufacture of Power Driven Pumps pursuant to the notification of the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and, on the basis of the information received, are of the opinion that prima facie the prescribed accounts and records have been maintained/are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government have not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
16. We are informed by the Company that the Employees' State Insurance Act, 1948 (ESI), is applicable only to certain locations of the Company and in respect of such locations where contributions have been deducted/accrued in the books of accounts by the Company as also provident fund dues in respect of all locations have been regularly deposited during the year with the appropriate authorities.
17. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty, outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In respect of the service activities of the Company:
 - (i) where the activity involves consumption of raw materials, there is a reasonable system of recording receipts, issues and consumption (where applicable) of materials and stores, commensurate with the size and nature of service activities undertaken and such system provides for a reasonable allocation of the materials and stores consumed to the relative jobs.
 - (ii) there is a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with the size and nature of the Company. In respect of one service activity having regard to the manner of billing the Management considers a system of allocation of man-hours is not necessary.
 - (iii) there is a reasonable system of authorisation at proper levels with necessary control on the issue of stores and allocation of stores and labour to jobs. There is a reasonable system of internal control commensurate with the size and nature of the Company's service activity.
21. As explained to us, damaged goods have been determined in respect of the class of goods traded in by the Company and adequate provision has been made for the loss so determined.

For A. F. FERGUSON & CO.
Chartered Accountants

F. M. CHINYOY
(Partner)

Mumbai, 1st June, 1999

**BALANCE SHEET AS AT**

LIABILITIES	SCHEDULE	As at 31st March, 1999 Rs. in '000s	As at 31st March, 1998 Rs. in '000s
SHARE CAPITAL	1	174,030	174,030
RESERVES AND SURPLUS	2	655,394	574,401
SECURED LOANS	3	154,631	222,968
UNSECURED LOANS	4	192,941	94,396
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	5	644,653	691,751
Provisions	6	55,106	52,504
TOTAL		<u>1,876,755</u>	<u>1,810,050</u>

Schedule 17 : Statement of Significant Accounting Policies
Schedule 18 : Notes to the Accounts

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants
F. M. CHINOY
(Partner)

Mumbai, 1st June, 1999