

# 43RD ANNUAL REPORT 31.12.2002



**KSB**   
KSB PUMPS LIMITED



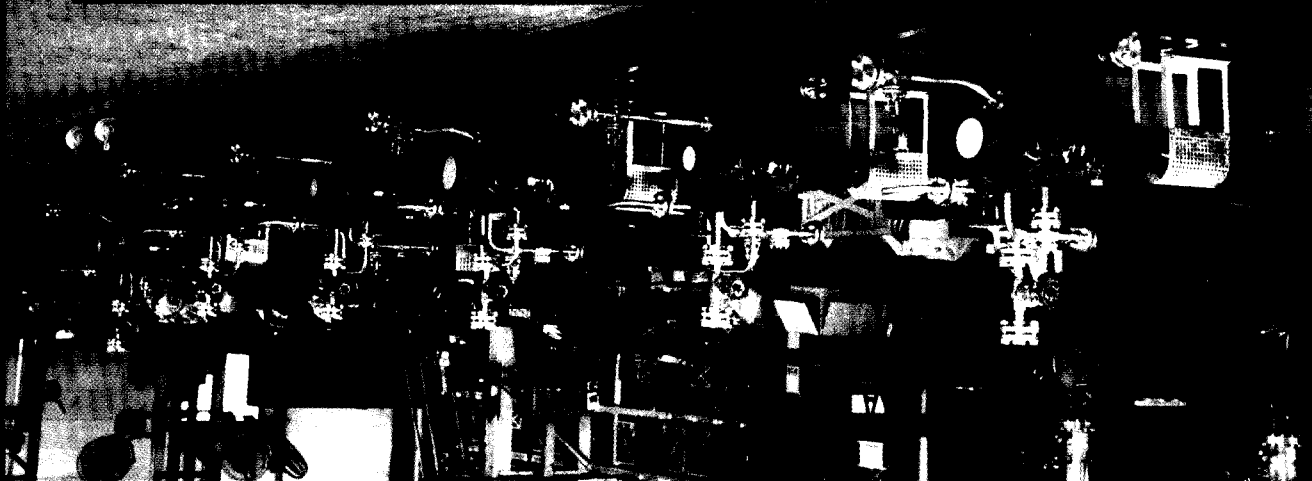
Highpressure multistage, boiler feed pumps ready for despatch



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End suction pumps - Ready to go





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### ANNUAL GENERAL MEETING

Date : 9th May, 2003  
 Day : Friday  
 Time : 3.00 p.m.  
 Venue : Bajaj Bhavan, Ground Floor,  
 (Kamalnayan Bajaj Hall),  
 226, Nariman Point,  
 Mumbai 400 021.

### COMMUNICATION DETAILS

Tel No. : 22854237  
 Fax No. : 22873299  
 Email : crmohan@ksb.co.in  
 Website : www.ksbindia.co.in



## GENERAL INFORMATION

### BOARD OF DIRECTORS :

A.V. SETALVAD (Chairman)  
A.R. BROACHA  
D.N. DAMANIA  
N.N. KAMPANI  
DR. A. SUSANTO  
G. SWARUP  
M. SWARUP  
P. WURZBACHER  
C.V. SAHA (Dy. Managing Director)  
W. SPIEGEL (Managing Director)

### REGISTERED OFFICE :

126, MAKER CHAMBERS III  
NARIMAN POINT, MUMBAI 400 021

### ZONAL OFFICES :

NORTH - NOIDA  
Offices - Bareilly, Chandigarh, Indore, Jaipur & Lucknow  
  
EAST - KOLKATA  
Offices - Bhubaneswar, Guwahati, Jamshedpur, Patna & Raipur  
  
WEST - MUMBAI  
Offices - Ahmedabad, Aurangabad, Baroda, Nagpur, & Pune  
  
SOUTH - CHENNAI  
Offices - Bangalore, Hubli & Secunderabad

### 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  
(Water Pumps Division)

### COLLABORATORS :

KSB AKTIENGESELLSCHAFT, GERMANY

### BANKERS :

CENTRAL BANK OF INDIA  
DEUTSCHE BANK AG  
STANDARD CHARTERED BANK

### AUDITORS :

A.F. FERGUSON & CO.

### COST AUDITORS :

DHANANJAY V. JOSHI & CO.

### REGISTRARS & TRANSFER AGENTS :

IIT CORPORATE SERVICES LTD.

### REGISTRARS TO FIXED DEPOSIT SCHEME :

KISU CORPORATE SERVICES



## 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 December, 2002.

### FINANCIAL RESULTS AND DIVIDEND

#### (i) Financial Results :

	Rs. in million	
	Year ended 31.12.2002	9 months period ended 31.12.2001
Sales (net) & Other Income	2334,9	1660,4
Profit before taxation	186,0	90,6
Add:		
Write back of Depreciation on assets of Grade-o-Castings Ltd. (GOC) consequent upon amalgamation	—	13,7
	186,0	104,3
Less: Provision for taxation		
Current	77,5	33,0
Deferred	(11,3)	1,0
	66,2	34,0
Profit after tax	119,9	70,3
Adjustment of tax of earlier years	5,4	—
Profit for appropriation	125,3	70,3
Appropriation :		
Dividend	52,2	34,8
Tax on Dividend	(1,7)	3,6
Proposed Tax on Final Dividend	4,4	—
Debenture Redemption Reserve	15,0	—
General Reserve	15,0	10,0
Profit & Loss Account	40,4	21,9
	125,3	70,3

#### (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.

### GENERAL REVIEW

#### (i) Working :

Although there are some signs of improvement, market sluggishness, lack of major project

investment, poor price realisation, etc. still hinder the progress of the Company's business.

You will note that there is an all round increase in the operational efficiency of the Company which is reflected in the improved bottomline. This is mainly due to conscious and proactive action taken by the management to control costs and greater attention to areas of concern like valves.

#### (ii) Fixed Deposits :

The Company has no unpaid deposits except those unclaimed after the period of maturing. As on 31st December, 2002, 75 depositors (Rs.0,8 mio) had not claimed their deposits on the due dates.

#### (iii) Subsidiary & Affiliate :

Pofran Engineering Ltd.'s (Pofran) Annual Accounts for the year ended 31<sup>st</sup> December, 2002 are attached, which show a profit before tax of Rs.1,0 mio. for business upto the above date.

The affiliate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs.12,8 mio. for the year ended 31<sup>st</sup> December, 2002 (previous period 9 months Rs.15,3 mio.).

#### (iv) Management Discussion and Analysis Report :

Annexed to this Report.

#### (v) Corporate Governance :

Annexed to this Report.

#### (vi) Consolidated Accounts :

As per the requirement of SEBI, consolidated accounts in accordance with Accounting Standard AS 21 have been annexed to this Annual Report.

### DIRECTORS

Mr. M. Swarup and Dr. A. Susanto retire by rotation and are eligible for re-appointment.

Mr. W. Spiegel was appointed as a Director with effect from 1<sup>st</sup> January, 2002 to fill the casual vacancy caused by the resignation of Mr. B. Langebartels and retires by rotation at the ensuing annual general meeting. The Company has received a notice in writing from a member proposing his candidature for the office of Director under section 257 of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed;



## BOARD'S REPORT (Contd.)

- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 or loss of the Company for the year under review;
- iii. the Directors have taken proper and sufficient care 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
- iv. the Directors have prepared the annual accounts on a going concern basis.

### ACKNOWLEDGEMENTS

The Board of Directors are grateful to Canadian Kay Pump Ltd., the main shareholder, and to KSB AG, Germany, 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 to 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,

Mumbai, 14<sup>th</sup> March, 2003

A.V. SETALVAD  
Chairman



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### ANNEXURE TO BOARD'S REPORT

#### 1.0 INTRODUCTION

The Company is engaged in the business of manufacture of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.

#### 2.0 INDUSTRY STRUCTURE AND DEVELOPMENT

##### 2.1 General

Economic conditions in the year 2002 improved slightly over that of 2001 and the Company's business in turn showed marginally a favourable up-turn. Sectors in Industry, Refinery, and Agriculture were active.

##### 2.2 Pump & Valve industry

The pump industry in general was stagnated except for players addressing the water, agriculture and industry sector. The manufacture of submersible pumps benefited from the high key activity in the irrigation sector. The industrial sector, experiencing some recovery after a long period was crowded by many players, domestic as well as international, resulting into severe pressure on prices and fierce competition.

The valve industry experienced a similar market scenario during the year.

During the year, the Company continued to intensify its marketing network in its Zonal and Branch Offices and the Dealers and Authorised Service Centres.

#### 3.0 OPPORTUNITIES AND THREATS

Demand for submersible pumps in the year 2002 witnessed improvement mainly due to the development of demand in Agriculture, Water Supply, Building & Sewage activities. It is expected that in the years to come the Government will continue to support this activity. The Company made improvement in its submersible pump business with innovative marketing aids and schemes.

The development of industry is expected to grow at 3 to 4% in the coming years with activities in Oil, Co-generation Plant in Energy likely to be up beat.

However, with the WTO regime falling more and more in place, the consequent liberalisation and international competition is bound to put more pressures on areas such as quality, delivery and price. This is likely to affect the Company's bottom line. Internal measures to improve production methods are being taken in trying to overcome this.

The threat of spurious products and spares puts considerable pressure on the business. The company is combating this menace suitably with available legal aids, etc.

#### 4.0 SEGMENTWISE PERFORMANCE

During the year under review, 65848 pumps were sold representing sales value of Rs. 1,634 Mio. Pumps manufactured were 67057. Strict and conscious control over current assets and liabilities was exercised resulting in cost savings. During the year, the pump segment gave a net revenue of Rs. 221 Mio.

115593 valves were sold representing a sales value of Rs. 330 Mio. 117196 valves were produced during the year. The Valves Division showed an improvement over the corresponding period. The loss in this division was Rs. 7 Mio. as against Rs. 38 Mio. for the previous period.

#### EXPORT

Exports continued to improve in both, the Pump and Valve fronts. During the year under review in terms of value, exports of pumps and valves was Rs. 271 Mio. The Company has been accorded the status of an "Export House". The Company continues to remain an important part of the network of KSB Group worldwide and as "Competence Centre" for certain pumps and valves.

#### 5.0 OUTLOOK

The capital goods industry continues to be sluggish. Absence of new projects in core sectors continues to hinder the Company's performance. The Oil Sector and Co-generation power are expected to show improvements.

The Company aims to develop new products to meet customer requirements and also is on a continuous path of product rationalization and upgradation.





## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### 6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

Relatively small growth and large players put pressure on pricing power. This is expected to continue.

Competition from unorganized sector mainly in the submersible pump line is a detrimental factor. However, rationalisation of power subsidy to the agricultural sector is likely to help the Company to meet this competition in the following years.

Continued global recession, impending Iraq war and such other uncertain factors may affect exports.

### 7.0 INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Internal Controls Systems are implemented :-

- To safeguard the Company's assets from loss or damage.
- To keep constant check on cost structure
- To provide adequate financial and accounting controls and implement accounting standards.

The system is improved and modified continuously to meet with changes in business condition, statutory and accounting requirements.

Internal controls are adequately supported by Internal Audit Department and periodic review by the management.

The Audit Committee meets periodically to review :-

- financial statements with the management and statutory auditors
- with the internal auditors, adequacy / scope of internal audit function, significant findings and follow up thereon and findings of any abnormal nature.

### 8.0 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL EFFICIENCY

There was an all round improvement in the efficiency of the Company's operations mainly on account of cost effective measures taken by the management at all levels.

The following statements cover financial Performance Review which are attached to this report.

- a) Financial Position at a glance
- b) Financial Summary
- c) Distribution of Income
- d) Segment Performance

### 9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT

The Company has recognized its employees as main asset. Various steps have been taken for improving their performance. Industrial Relations at almost all the plants were cordial. There is some delay in the wage settlement at Nashik Plant. Number of employees as at 31st December, 2002 was 2095.

### 10.0 CAUTION

This report is based on the experience and information available to the Company in the Pump and Valve business and assumption in regard to domestic and global economic conditions, government and regulation policies, etc. The performance of the Company is dependent on these factors. It may be materially influenced by the changes therein beyond the Company's control, affecting the views expressed in or perceived from this report.

On behalf of the Board of Directors,

A.V. SETALVAD

Chairman

Mumbai, 14th March, 2003





## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### FINANCIAL POSITION AT A GLANCE

#### CAPITAL

	Year ended 31.12.2002 Rs.	Rs. in million 9 months ended 31.12.2001 Rs.
<b>ASSETS OWNED</b>		
1. Fixed Assets (Net)	536	583
2. Investments	78	78
3. Current Assets (Net)	701	693
<b>TOTAL</b>	<b>1315</b>	<b>1354</b>

#### FINANCED BY

1. Loans	284	382
2. Deferred tax balance	51	63
3. Net Worth*	980	909
<b>TOTAL</b>	<b>1315</b>	<b>1354</b>

\* Represented by  
Share Capital  
Reserves (Net)

	174	174
	806	735
<b>TOTAL</b>	<b>980</b>	<b>909</b>

#### REVENUE

	Year ended 31.12.2002 Rs.	Rs. in million 9 months ended 31.12.2001 Rs.
<b>INCOME EARNED</b>		
1. Sale of Products and Services	2304	1636
2. Other Income	31	24
<b>TOTAL</b>	<b>2335</b>	<b>1660</b>

#### INCOME DISTRIBUTED

1. Materials Consumed	1016	740
2. Employee Cost	392	274
3. Expenses	621	458
4. Interest	23	30
5. Depreciation	91	54
6. Taxation		
Current	77	33
Deferred	(11)	1
On Dividend	4	3
7. Debenture Redemption Reserve	15	—
8. Dividend	52	35
9. Retained Earnings	55	32
<b>TOTAL</b>	<b>2335</b>	<b>1660</b>


**MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)**
**FINANCIAL SUMMARY**

	31.12.2002	9 months ended 31.12.2001	2000-2001	1999-2000	1998-99
<b>CAPITAL ACCOUNTS (Rs. in million)</b>					
<b>Liabilities</b>					
Share Capital	174	174	174	174	174
Reserves & Surplus	806	735	767	745	655
Borrowings	284	382	464	415	348
Deferred Tax Balance	51	63	—	—	—
<b>Assets</b>					
Gross Block	1341	1319	1189	1092	1080
Net Block	536	583	550	522	539
Investments	78	78	86	83	74
Net Current Assets	701	693	769	729	554
<b>REVENUE ACCOUNTS (Rs. in million)</b>					
Sales and Other Income	2335	1660	2121	+ 2112	2104
Gross Profit before extra-ordinary item, interest and depreciation	300	188	257	368	340
Extra-ordinary Item	—	—	—	35	—
Interest	23	30	44	38	44
Depreciation	91	54	84	79	83
Profit before tax	186	104	129	216	213
Profit after tax	120	70	83	148	141
Net earnings available for appropriation *	125	70	82	147	138
Tax on Dividend	4	3	7	5	5
Dividend amount	52	35	52	52	52
Retained earnings	++ 69	32	23	90	++ 81
<b>SELECTED INDICATORS</b>					
Return on Capital Employed %	16.53	10.38	12.31	19.04	21.84
Current Ratio	2.12	2.13	2.28	2.33	1.79
Earnings per share	7.20	4.03	4.70	8.45	7.93
Total Borrowings/Shareholders' Funds	0.29	0.42	0.49	0.45	0.42
Book value per share	56.31	** 52.23	54.07	52.81	47.64
Dividend %	30	20	30	30	30
Fixed Assets Turnover	4.36	2.85	3.86	4.05	3.90

+ including Depreciation written back Rs.42 Mio.

\* After adjusting tax provisions in respect of earlier years.

++ Including Debenture Redemption Reserve

\*\* After adjusting deferred tax liability upto 31st March, 2001 amounting to Rs. 61.5 Mio.

Figures for the period ended 31.12.2001 include assets and liabilities of GOC on account of amalgamation.