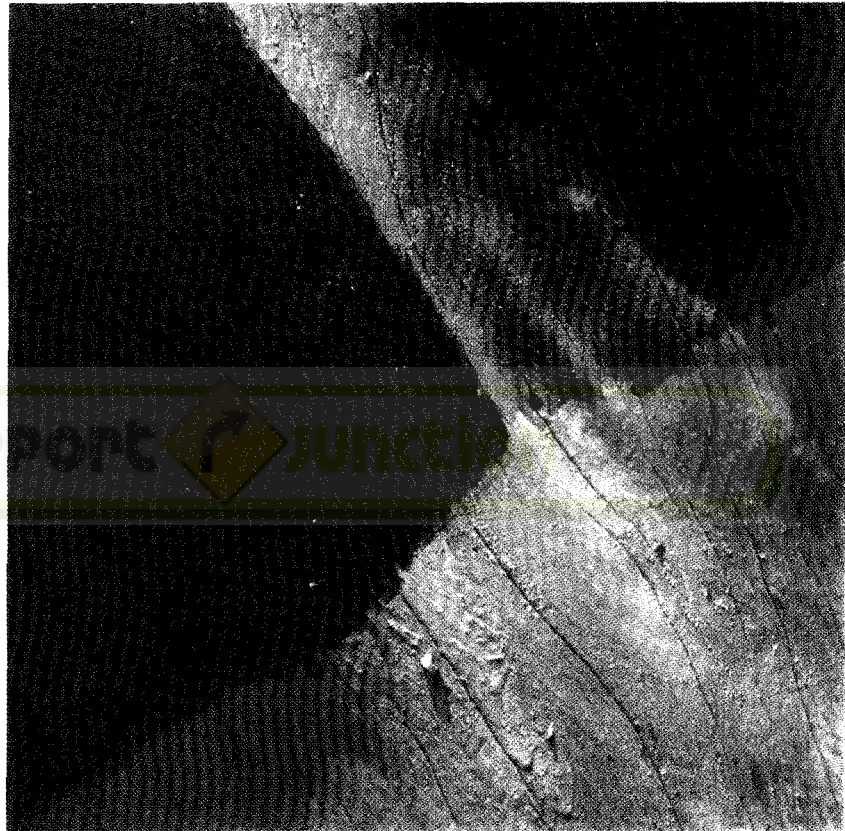
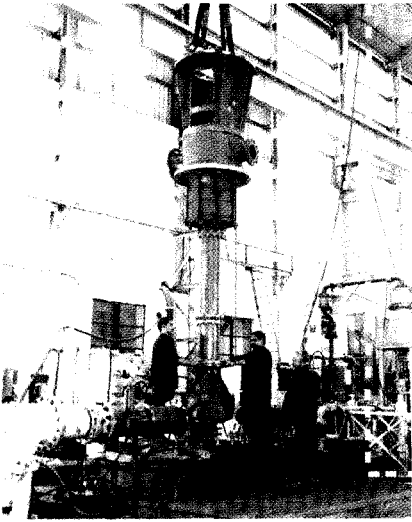
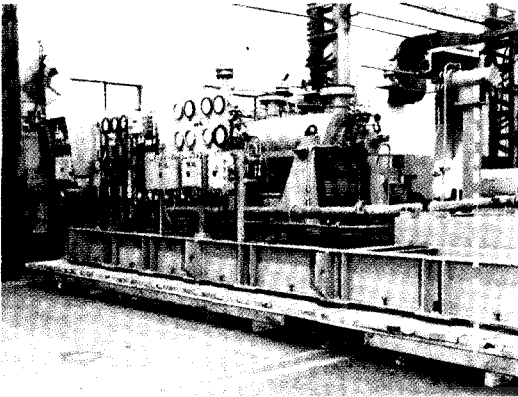


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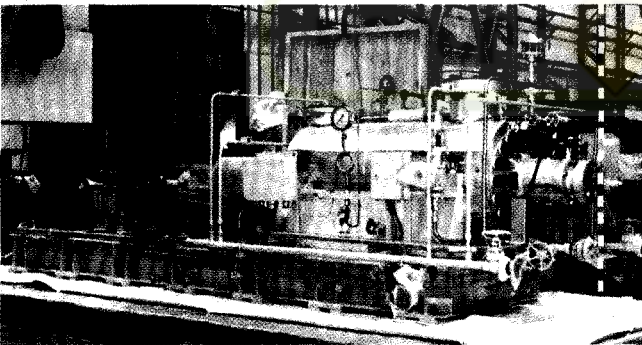




Pump ready for testing :
High pressure, vertical in-line pump
with double suction and radial stages
for condensate extraction application.



Pump ready to go
High pressure multistage pump
as per API 610 8th edition for
boiler feed application.



reportjunction.com



End suction pump in a new look !!



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ANNUAL GENERAL MEETING

Date : 7th May, 2004
 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 - Bhubaneshwar, 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
(Pumps & Valves 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, 2003.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs. in million	
	Year ended 31.12.2003	Year ended 31.12.2002
Sales (net) & Other Income	2494,9	2334,9
Profit before taxation	258,7	186,0
Less: Provision for taxation		
Current	103,5	77,5
Deferred	(26,8)	(11,3)
	76,7	66,2
Profit after tax	182,0	119,9
Adjustment of tax of earlier years	0,7	5,4
Profit for appropriation	182,7	125,3
Appropriation:		
Dividend	60,9	52,2
Tax on Dividend	7,8	2,7
Debenture Redemption Reserve	(15,0)	15,0
General Reserve	20,0	15,0
Profit & Loss Account	109,0	40,4
	182,7	125,3

(ii) Dividend:

An interim dividend of 10% was paid during the year. The Board of Directors propose a final dividend of 25% making a total of 35% for the year.

GENERAL REVIEW

(i) Working:

During the year under review, industry experienced a significant revival. The recovery has been broad based, which helped both the standard pump and project business. On the back of an extended monsoon, the water pumps

business maintained level, with ongoing efforts to face price competition from smaller manufacturers.

In this atmosphere there has been an improvement in the performance of the Company. The contributing factors being, inter-alia, improvement in margins, a turn around in the valves division and continuous cost control.

(ii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2003, 59 depositors (Rs.0,6 mio.) had not claimed their deposits on the due dates.

(iii) Subsidiary & Associate:

Pofran Engineering Ltd. (Pofran) became 100% subsidiary of the Company during the year. Annual Accounts for the year ended 31st December, 2003 are attached, which show a profit before tax of Rs.1,0 mio. for business upto the above date.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs.22,1 mio. for the year ended 31st December, 2003.

(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 AS21 have been annexed to this Annual Report.

DIRECTORS

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

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 period and of the profit 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;
- 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 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, 29th March, 2004

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

The improvement in business conditions first noticed in the latter part of the year 2002 has emphatically continued. With an indicated GDP growth of around 8% for FY04, agriculture, industry and services all contributing, the year may well become a watershed in the country's economic history. On balance are macro level issues such as Central and State Government deficits, threatening inflation, the interplay of politics and economics, which can slow progress.

After a decade of stagnancy, there has been marginal improvement in industrial investment.

2.2 Pump & Valve industries

In line with the GDP growth, the Indian industrial scenario witnessed buoyancy. Pumps and valves industries too followed the trend in the year 2003. Reasonable growth came from the petroleum sector and general industry, particularly related to pharma, cement, distilleries and sponge iron. The industrial power sector also looked up with the finalisation of many captive power projects. The submersible pump business, however, did not show any improvement mainly due to an extended monsoon in most parts of the country.

Valve industry improvement was witnessed towards the later part of the year.

3.0 OPPORTUNITIES AND THREATS

The power sector looks to be an area of growth especially with private players entering the field. The industrial sector too looks to be buoyant. The oil sector continues to be on the growth path.

The political pause that the country would take till the new Government is formed after the

elections and the party that comes to power may effect or delay projects announced.

Competition continues to be very severe in the agricultural sector from unorganised players. Entry and consolidation by international competition in the organised sector especially in the oil sector poses a threat.

4.0 SEGMENTWISE PERFORMANCE

During the year under review, 73,236 (nos.) pumps were sold representing sales value of Rs. 1,659 mio. Pumps manufactured were 76,667 (nos.). 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. 236 Mio.

112,332 (nos.) valves were sold representing a sales value of Rs. 365 mio. 114,929 (nos.) valves were produced during the year. The Valves Division showed an improvement over the corresponding year. The profit in this division was Rs. 4 mio as against loss of Rs. 7 mio for the previous year.

EXPORT

During the year under review, exports of pumps and valves in terms of value, were Rs. 265 mio. With the growth in international economy the Company is likely to maintain the present level of exports.

5.0 OUTLOOK

With improvement in industrial climate in India, the project business shows revival, which would have a favourable impact on the Company.

The Company also plans to introduce products in the sewage and wastewater segment.

To cater to the market requirements in a focussed manner, a product management group is in place. This team has been instrumental not only in understanding the requirements but also in improving existing products and introducing new ones. These initiatives we expect would keep us proactive to future market requirements.

6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

Cost increase for basic materials like Pig Iron and Scrap has a major impact on the Company's input costs. Even availability is a cause of concern.



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Though the Government has reduced import duties, there has been hardly any effect on the runaway increase due to hardening of the global prices of these products. Due to increased order intake the accessory suppliers have not been reliable in terms of quality and delivery commitments. This in turn affects your Company's performance.

7.0 INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Internal Control 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 standard.

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

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

The Audit Committee meets periodically to review-

- with the management and statutory auditors, financial statements
- 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 operational 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 & Distribution of Income
- c) Segment Information

9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

The Company has recognized the employees as its main asset. Various steps have been taken for improving their performance. Industrial Relations at all the plants were cordial. The number of employees as at 31st December, 2003 was 1982.

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, 29th March, 2004



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL POSITION AT A GLANCE

CAPITAL

	Rs. in million	
	Year ended 31.12.2003	Year ended 31.12.2002
	Rs.	Rs.
ASSETS OWNED		
1. Fixed Assets (Net)	491	536
2. Investments	179	78
3. Current Assets (Net)	576	701
TOTAL	1246	1315

FINANCED BY

1. Loans	128	284
2. Deferred tax balance	24	51
2. Net Worth*	1094	980
TOTAL	1246	1315

* Represented by

Share Capital	174	174
Reserves (Net)	920	806
TOTAL	1094	980

REVENUE

	Rs. in million	
	Year ended 31.12.2003	Year ended 31.12.2002
	Rs.	Rs.
INCOME EARNED		
1. Sale of Products and Services	2427	2304
2. Other Income	68	31
TOTAL	2495	2335

INCOME DISTRIBUTED

1. Materials Consumed	1003	1016
2. Employee Cost	466	392
3. Expenses	655	621
4. Interest	16	23
5. Depreciation	96	91
6. Taxation		
Current	103	77
Deferred	(27)	(11)
On Dividend	8	4
7. Debenture Redemption Reserve	(15)	15
8. Dividend	61	52
9. Retained Income	129	55
TOTAL	2495	2335


MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)
FINANCIAL SUMMARY

	31.12.2003	31.12.2002	9 months ended 31.12.2001	2000-2001	1999-2000
CAPITAL ACCOUNTS (Rs. in million)					
Liabilities					
Share Capital	174	174	174	174	174
Reserves & Surplus	920	806	735	767	745
Borrowings	128	284	382	464	415
Deferred Tax Balance	24	51	63	—	—
Assets					
Gross Block	1380	1341	1319	1189	1092
Net Block	491	536	583	550	522
Investments	179	78	78	86	83
Net Current Assets	576	701	693	769	729
REVENUE ACCOUNTS (Rs. in million)					
Sales and Other Income	2495	2335	1660	2121	2112
Gross Profit before Interest and Depreciation	371	300	188	257	333
Interest	16	23	30	44	38
Depreciation	96	91	54	84	79
Profit before tax	259	186	104	129	216
Profit after tax	182	120	70	83	148
Tax on Dividend	8	4	3	7	5
Dividend amount	61	52	35	52	52
Retained earnings	129	55	32	23	90
SELECTED INDICATORS					
Return on Networth %	23.67	18.88	11.44	13.71	23.50
Current Ratio	1.76	2.00	2.13	2.28	2.33
Earnings per share	10.50	7.20	4.03	4.70	8.45
Debt Equity Ratio	0.11	0.29	0.42	0.49	0.45
Book value per share	62.86	56.31	52.23	54.07	52.81
Dividend %	35	30	20	30	30
Fixed Assets Turnover	5.08	4.36	2.85	3.86	4.05