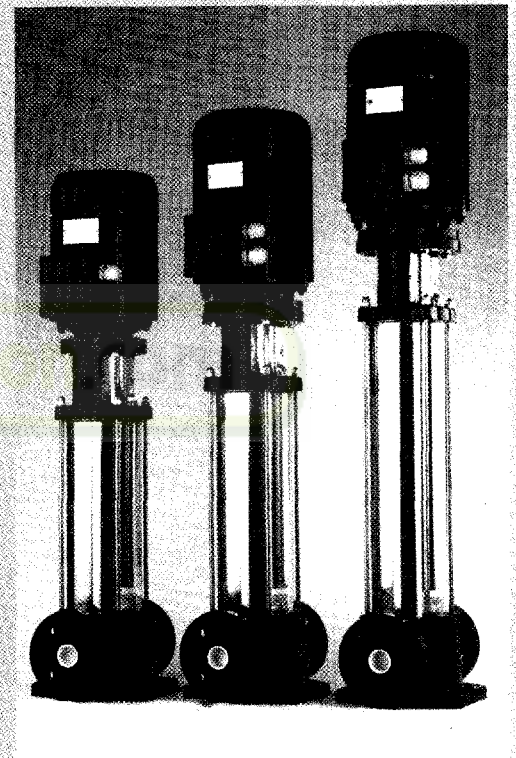


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Addition in product range
Movitec VCF
Multi-stage vertical high-pressure in line pumps,
for general water supply, pressure boosting,
hot & cold water re-circulation etc.

For the first time, KSB Coimbatore has designed and manufactured an
"Extended Stem High Pressure Gate Valve".
These valves are supplied to M/s Siemens for DDIT/ Indal Project.



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KSB PUMPS LIMITED

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ANNUAL GENERAL MEETING

Date : 5th May, 2005
 Day : Thursday
 Time : 3.00 p.m.
 Venue : Bajaj Bhavan, Ground Floor,
 (Kamalnayan Bajaj Hall),
 226, Nariman Point,
 Mumbai 400 021.

COMMUNICATION DETAILS

Tel No. : 56588787
 Fax No. : 56588788
 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
 J Gerstner
 N N Kampani
 Dr A Susanto
 G Swarup
 M Swarup
 C V Saha (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
 (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

MCS 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, 2004.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results :

The accounts under review have been prepared incorporating the assets and liabilities of Pofran Engineering Limited (Pofran), 100% subsidiary of the Company, with effect from 1st January, 2004. This is pursuant to the Scheme of Amalgamation of Pofran with the Company as approved by Hon'ble High Court of Judicature of Bombay. Therefore the figures of the current year are not comparable with the previous year's figures.

	Rs. in million	
	Year ended 31.12.2004	Year ended 31.12.2003
Sales (net) & Other Income	3102.4	2494.9
Profit before taxation	460.1	258.7
Less : Provision for taxation		
Current	174.0	103.5
Deferred	(14.2)	(26.8)
	159.8	76.7
Profit after tax	300.3	182.0
Adjustment of tax of earlier years	6.3	0.7
Profit for appropriation	306.6	182.7
Appropriation :		
Dividend	69.7	60.9
Tax on Dividend	9.5	7.8
Debenture Redemption Reserve	—	(15.0)
General Reserve	35.0	20.0
Profit & Loss Account	192.4	109.0
	306.6	182.7

(ii) Dividend :

An interim dividend of 15% was paid during the year. The Board of Directors propose a final dividend of 25% making a total of 40% for the year.

GENERAL REVIEW

(i) Working :

During the year under review, the performance of the Indian economy improved significantly, industry and services in particular. With this, the Company in line with other corporates, has shown a marked improvement. Though growth in submersible pumps sector was sluggish, with increase in capital expenditure in general, industry and project pumps business revived further. Valves division which had turned around last year has made a substantial contribution.

(ii) Fixed Deposits :

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2004, 112 depositors (Rs.1.2 mio.) had not claimed their deposits on the due dates.

(iii) Transfer to Investor Education & Protection Fund :

During the year, in accordance with terms of section 205C of the Companies Act, 1956, an amount of Rs.26,676, being unclaimed fixed deposits interest and an amount of Rs.1,46,706, being unclaimed dividends for the year 1996-97, were transferred to the Investor Education & Protection Fund established by the Central Government.

(iv) Delisting of equity shares :

The Company's equity shares have been delisted from Pune Stock Exchange Ltd. with effect from 16th July, 2004 in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003.

BOARD'S REPORT (Contd.)

(iv) Subsidiary & Associate :

As mentioned earlier, the Scheme of Amalgamation of Pofran with the Company has been approved by Hon'ble High Court of Judicature of Bombay. Accounts of Pofran have been incorporated from the appointed date i.e. 1st January, 2004.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs.31.1 mio. for the year ended 31st December, 2004 (previous year Rs.22.1 mio.).

(v) Management Discussion and Analysis Report :

Annexed to this Report.

(vi) Corporate Governance :

Annexed to this Report.

(vii) Consolidated Accounts :

It is not required as Pofran, the Company's 100% subsidiary has been amalgamated with the Company with effect from 1st January, 2004.

DIRECTORS

Mr C. V. Saha resigned as Deputy Managing Director of the Company with effect from 1st January, 2005 to take up assignment at KSB China. The Board of Directors wish to record their appreciation of the yeoman services rendered by Mr. Saha to the Company. However, he continues to be a director of the Company.

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

Mr. Peter Wurzbacher retired as a director with effect from 20th July, 2004. The Board wishes to record their appreciation of services rendered to the Company by Mr. Wurzbacher during his tenure as a director of the Company.

Mr. J. Gerstner was appointed as a director with effect from 20th July, 2004 to fill the casual vacancy caused by the resignation of Mr. Wurzbacher.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departures;
- 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 or loss of the Company for the period 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 middle management and all others concerned with the Company's business.



BOARD'S REPORT (Contd.)

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.

SAFETY AND ENVIRONMENT

The Company is committed to create a safe and healthy working environment. It has conducted during the year Safety Audit, Risk Assessment and Ventilation Survey. Recommendations are being implemented. On continuous basis manufacturing activities of the Company take into consideration protection

of environment. The Company is expecting certification for Environment Management System, ISO 14001 for all its factories.

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

A.V. SETALVAD
Chairman

Mumbai, 18th March, 2005

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 performance of Indian economy in 2004 – 05 so far has exceeded expectations formed at the beginning of the year. Buoyed by a rebound in the agriculture and allied sector, and strongly helped by improved performance in industry and services, the economy registered a growth rate of 8.5% in 2003-04. Normally, strong growth is expected after anaemic growth, and vice versa. In spite of a deficient south-west monsoon, hardening of international prices of oil and steel and the first recorded experience of tsunami, the economy has managed to maintain the growth momentum of around 6.9%. The industrial growth was 8.4% in the first three quarters of 2004-05 which was highest since 1995-96.

However, the economic growth is constrained mainly due to inadequate infrastructure, high losses from electricity distribution, actual fiscal deficit more than the budgeted, high fiscal deficits of states and inflexible labour laws.

2.2 Pumps & Valves Industries

The growth witnessed by the Pumps and Valves industries was buoyant. The growth in these sectors mainly came from high investment in power, petroleum and the general industry sector, sponge irons, pharma, pulp and paper. The Company's submersible pump business, however, showed a relatively lacklustre growth in light of continued mushrooming of the unorganized sector, further aided by various state government policies to offer free power to the farmers thereby affecting demand for energy efficient equipment.

3.0 OPPORTUNITIES AND THREATS

With introduction of Mega thermal power plants of 660 MW rating and beyond, coupled with ongoing privatization of the power sector, this sector shows an encouraging trend. Significant investments in chemical and petrochemical segments is expected to promote growth.

Lowering of duties and international competition are expected to be more severe in the years to come. In the domestic market competition from international companies continues to be aggressive. The market dynamics in the domestic sector remains unchanged with closed competition.

4.0 SEGMENTWISE PERFORMANCE

During the year under review, pumps sold represent sales value of Rs.2,056 mio. Cost control measures adopted have yielded positive result. During the year, the pump segment gave a revenue of Rs.398 mio.

Valves sold represent a sales value of Rs.552 mio. The significant contribution made by the Valves Division to the year's results can be seen from Segment Performance (page 10).

EXPORTS

During the year under review, exports of pumps and valves in terms of value, were Rs.318 mio. as against Rs.265 mio in the previous year. Agency commission earned was Rs.23 mio. With the growth in international economy the Company is likely to maintain the present level of exports.

5.0 OUTLOOK

Improved investment in the industrial sector and overall growth in the economy are likely to have favourable effect on the Company's business.



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

To cater to the increased demand from the market and to bring down delivery times to market expectations, production harmonization at the various manufacturing location is underway. This would help in further optimizing our plant and machinery and enhance production. The Company continues its efforts of innovation to meet ever changing requirements of the market.

6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

Cost push inflation, mainly on account of rising prices of steel and oil in international market is likely to have impact on the Company's input cost. The industrial sector may not grow as expected unless infrastructure bottlenecks and shortages, labour market rigidities, enter and exit barriers and multiple stages and level of approvals/clearances are removed.

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 -

- 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.

- Financial Position at a glance
- Financial Summary
- Distribution of Income
- Segment Performance

9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

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.

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, 18th March, 2005

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL POSITION AT A GLANCE

CAPITAL	Year ended 31.12.2004	Rs. in Million Year ended 31.12.2003
ASSETS OWNED		
1. Fixed Assets (net)	501	491
2. Investments	78	179
3. Current Assets (Net)	844	576
TOTAL	1423	1246
FINANCED BY		
1. Loans	77	128
2. Deferred tax balance	10	24
3. Net Worth*	1336	1094
TOTAL	1423	1246
*Represented by		
Share Capital	174	174
Reserves (Net)	1162	920
TOTAL	1336	1094
REVENUE		
INCOME EARNED		
1. Sales of Products and Services	3046	2427
2. Other Income	56	68
TOTAL	3102	2495
INCOME DISTRIBUTED		
1. Materials Consumed	1346	1003
2. Employee Cost	460	466
3. Expenses	729	655
4. Interest	7	16
5. Depreciation	94	96
6. Taxation		
Current	174	103
Deferred	(14)	(27)
On Dividend	9	8
7. Debenture Redemption Reserve	—	(15)
8. Dividend	70	61
9. Retained Income	227	129
TOTAL	3102	2495