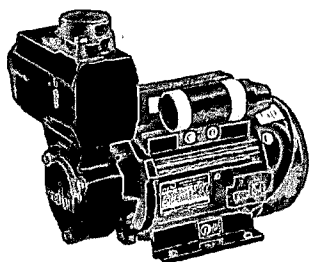
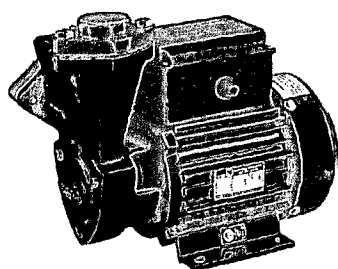


## 48th Annual Report - 2007

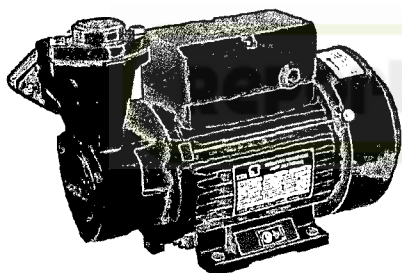




Hydrobloc (Economy Range)



Delux (Regular Range)



Elite (Premium Range)



## New Product Launch

### New... HYDROBLOC Minimonobloc Series

In order to strengthen product basket, a mini-monobloc version HYDROBLOC introduced in various parts of India in the year 2007.

These pumps are immediately introduced after successful launch of Submersible Monobloc pumpsets - MONOSUB R in the year 2006.

HYDROBLOC series is available from 0.5 to 1.0 HP in three models as shown in photographs.

#### Features :

- Self priming • Compact sleek design • Wide voltage range 180 V - 240 V • Fitted with Thermal Overload Protector • Suction lift up to 6 m possible • Bronze impeller • High quality and long life mechanical seal

#### Applications :

- Pumping of water to overhead tank of bungalows • Drinking water supply • Ornamental fountains • Farm House

## UMA I 100

(100 mm Submersible Motor)

Compact and efficient design with advantages of dry and wet motor. This product will take care of wide voltage range across India.



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### ANNUAL GENERAL MEETING

Date : 6th May, 2008  
 Day : Tuesday  
 Time : 2.30 p.m.  
 Venue : Bajaj Bhavan, Ground Floor,  
 (Kamalnayan Bajaj Hall),  
 226, Nariman Point,  
 Mumbai 400 021.

### COMMUNICATION DETAILS

Tel No. : 66588787  
 Fax No. : 66588788  
 Shareholders' Grievance Cell: mamehta@ksb.co.in  
 Website : www.ksbindia.co.in

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## GENERAL INFORMATION

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### Board Of Directors

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A.V. Setalvad (Chairman)  
 A.R. Broacha  
 D.N. Damania  
 N.N. Kampani  
 DR. A. Lee  
 G. Swarup  
 M. Swarup  
 DR. W. Schmitt  
 W. Spiegel (Managing Director)

### Registered Office

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126, Maker Chambers III Nariman Point, Mumbai 400 021

### Zonal Offices

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North - Noida  
 Offices - Bareilly, Chandigarh, Jaipur & Lucknow  
 East - Kolkata  
 Offices - Bhubaneswar, Jamshedpur & Raipur  
 West - Mumbai  
 Offices - Ahmedabad, Aurangabad, Baroda, Indore,  
 Nagpur & Pune  
 South - Chennai  
 Offices - Bangalore, Hubli & Secunderabad

### Factories

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Pimpri, Pune 411 018  
 Chinchwad, Pune 411 019  
 Vambori 413 704, Dist. Ahmednagar  
 NSN Palayam, Coimbatore 641 031  
 Sinnar, Dist. Nashik 422 103

### Collaborators

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KSB Aktiengesellschaft, Germany

### Bankers

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Central Bank of India  
 Deutsche Bank AG  
 Standard Chartered Bank

### Auditors

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A.F. Ferguson & Co.

### Cost Auditors

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Dhananjay V. Joshi & Co.

### Registrars & Transfer Agents

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Intime Spectrum Registry limited  
 Tel No. 25963838



## 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, 2007.

### FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results :

	Rs. in Million	
	Year ended 31.12.2007	Year ended 31.12.2006
Sales (net) & Other Income	<b>4761.7</b>	<b>4120.7</b>
Profit before taxation	<b>678.6</b>	<b>787.0</b>
Less: Provision for taxation		
Current	222.3	263.0
Deferred	(10.5)	—
Fringe Benefit Tax	6.8	7.5
	<b>218.6</b>	<b>270.5</b>
Profit after tax	<b>460.0</b>	<b>516.5</b>
Adjustment of tax of earlier years	10.8	(11.0)
Profit for appropriation	<b>470.8</b>	<b>505.5</b>
Appropriation:		
Dividend	95.7	95.7
Tax on Dividend	16.3	15.3
General Reserve	50.0	55.0
Profit & Loss Account	308.8	339.5
	<b>470.8</b>	<b>505.5</b>

(ii) Dividend:

An interim dividend of 20% was paid during the year. The Board of Directors propose a final dividend of 35% making a total of 55% for the year.

### GENERAL REVIEW

(i) Working:

During the year under review, although there is increase in sales, the profitability has

fallen due to higher material and personnel costs; and other expenses. Unless the global economic turmoil dents development and growth, the Company looks forward to expectation of improved results.

(ii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2007, 12 depositors (Rs.0.12 mio.) had not claimed their deposits on the due dates.

(iii) Transfer to Investor Education & Protection Fund:

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of Rs.107,275, being unclaimed fixed deposits and interest, and an amount of Rs.151,494, being unclaimed dividends upto the year 1999-2000, were transferred to the Investor Education & Protection Fund established by the Central Government.

(iv) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2007 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 9.6 mio. (previous year Rs. 11 mio.) for business upto the date, are attached. A dividend of Rs. 5 mio. has been received during the year from the subsidiary company.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs. 201.1 mio. for the year ended 31st December, 2007 (previous year - Rs. 112.5 mio.). A dividend of Rs 27.5 mio. has been received during the year from the Associate Company.



## BOARD'S REPORT (Contd.)

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

Annexed to this Report

### (vi) Corporate Governance:

Annexed to this Report

### (vii) 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. D.N. Damania, Dr. Augus Lee and Mr. Mahendra Swarup retire by rotation and are eligible for re-appointment.

Mr. A.V. Setalvad retires by rotation at the conclusion of the ensuing annual general meeting. Mr. Setalvad has for personal reasons expressed his unwillingness to be re-appointed. The Board after due deliberation has acceded to his request and decided not to fill the vacancy so caused. The relevant resolution is proposed for your approval.

Mr. A.V. Setalvad has been associated with the Company since its inception in various capacities. The Board of Directors wish to acknowledge his significant role in the development and growth of the Company.

Further, the Board of Directors have approved the appointment of Mr. Gaurav Swarup as the next Chairman of the Company.

Mr. C.V. Saha retired as a Director with effect from 27<sup>th</sup> July, 2007. The Board of Directors place on record its fullest appreciation of the valuable services rendered to the Company by Mr. Saha in various capacities, over a period of time.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms 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 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 assets of the Company and for preventing maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding 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.

### PARTICULARS OF EMPLOYEES

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



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## BOARD'S REPORT (Contd.)

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### **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 ENVIORNMENT**

The Company has a well developed Environment Management System (EMS) integrated with the Quality Management System (QMS). It has committed to achieve the highest possible standards of EMS. It has been awarded Environmental Management Certification according to the international standard ISO 14001:2004. The Company on a continuous basis makes investment in upgrading pollution control equipment at all the factories.

The Company gives priority to the health and safety of its employees. For this purpose various measures have been implemented.

### **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, 24th March, 2008

## 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

Indian economy moved decisively to a higher growth phase. The economic growth was over 8% for the year. Macro economic fundamentals continued to inspire confidence. The investment climate remained full of optimism.

There has been deceleration of growth in the agricultural sector. The secular decline in the share of agriculture sector in GDP continued with a decline from 24% in 2001-2002 to 17.55% in the current fiscal year. There has been a loss of dynamism in the agriculture and allied sectors in recent years. Public investment in this sector has declined and it does not attract private investment in view of low returns.

The industrial sector witnessed a slow down in the current year. When viewed against the back drop of the robust growth witnessed in the preceding four years, present trend suggests that there has been a certain degree of moderation in the momentum of industrial sector. At the product group level, the moderation in growth had been selective. Basic metals, machining equipments and petroleum products recorded lower growth. Some segments of the infrastructure sector have shown a subdued performance.

Inflation continued to play a role of villain in the economic growth. The increase in prices of oil, steel and basic metals has been the major cause. Inflation in India is a structural as well as monetary phenomenon. Large inflow of capital coupled with mismatch of demand and supply exerted pressure on prices. In spite of governmental anti-inflationary measures such as strict fiscal and monetary discipline, rationalization of excise and custom duties, liberal tariff and trade policies have failed to contain inflation.

Overall inflation is likely to remain. Global prices are having more pronounced impact on domestic prices.

With increased capital inflows and appreciating rupee, concerns about possible overvaluation of the currency and consequential loss of long-term competitiveness of exports in traditional and goods sectors – popularly known as the “Dutch disease”, have arisen. The appreciation of rupee vis-a-vis the dollar, the main invoicing currency of exports compared to slow growth of imports by trading partners affected exports of some sectors with low import intensity.

The real challenge lies in strengthening the foundations for sustained industrial growth. Removing the infrastructural impediments in road, transport and power, containing inflation on account of international rise in oil prices and basic metals, improving growth in agriculture, managing continued increase in capital inflows and consequential changes in the appreciation of rupee remain major challenges for the Indian Economy especially in a period of moderation of industrial growth and deceleration of global demand for Indian exports.

##### 2.2 PUMPS & VALVES INDUSTRIES

The growth witnessed by the Pumps and Valves industries was in line with the performance in the Indian economy. The growth in these sectors mainly came from energy sector. Boiler and Turbine manufacturers continued to invest heavily in this sector. International competition especially from Chinese contractors in industrial power plant sector continues to exert pressure. Demand in the oil industry sector is growing. Demand for the submersible pumps is dependent on weather cycle. In view of extremely unusual disturbances the growth has been fluctuating. Trend in waste water, sewage management market in India is encouraging.

##### 3.0 OPPORTUNITIES AND THREATS

11th Five year Plan has started. With the target capacity of additions in the 11th Plan there is likely to be continued upward shift





## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

in the growth in energy sector. Activities in the industrial sector will be encouraging. In the oil sector major quality upgradation projects are expected to continue.

Further increased activities of Chinese contractors, lowering of duties and ever increasing international competition under globalisation are expected to be more severe in the years to come. The market dynamics in the domestic sector remains unchanged with close competition from domestic as well as international players.

### 4.0 SEGMENTWISE PERFORMANCE

During the year under review, 94102 (nos.) pumps were sold representing sales value of Rs.3039 mio. Pumps manufactured were 94519 (nos.).

150730 (nos.) valves were sold representing a sales value of Rs.1158 mio. 156509 (nos.) valves were produced during the year.

#### EXPORT

During the year under review, exports of pumps and valves in terms of value were Rs.333 mio. as against Rs.365 mio. in the previous year. Agency commission earned was Rs.9.5 mio.

### 5.0 OUTLOOK

Improved investment in the industrial sector and continuous impetus being given by the Government to infrastructure are likely to contribute to the overall growth in the economy. It is expected, barring unforeseen circumstances they are likely to have favourable effect on the Company's business.

Programme of production harmonization at the various manufacturing locations to cater to the increased demand from the market and to bring down delivery times to market expectations, is progressing satisfactorily. 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 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 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 is a consistent and continuing effort to improve through technology and quality management. A substantial investment has been made in a SAP system to achieve greater production efficiency and increase profitability.

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

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

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

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

The Company believes that the success of any organisation depends mainly on effectiveness of people. The challenge today is to attract and retain human resources, develop them continuously and motivate them to give their best to the organisation. Therefore the Company has launched various HR initiatives to attract and retain the competent employees.

Learning and development programmes are organised on a continuous basis at all locations to develop the competence of employees at all levels for meeting present and future challenges of the organisation.

Industrial relations at all the plants were cordial. Company signed two productivity

linked wage agreements at its Sinnar and Coimbatore plants.

### 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, 24th March, 2008

## DISTRIBUTION OF INCOME

		Rs. in million			
		Year ended 31.12.2007		Year ended 31.12.2006	
		Rs.	%	Rs.	%
1	Raw Materials/Bought-out Components Consumed	2228	46.79	1746	42.37
2	Employee Cost	626	13.15	537	13.03
3	Administrative, Sales & Other Expenses	1102	23.14	964	23.39
4	Interest	6	0.13	10	0.24
5	Depreciation	110	2.31	88	2.14
6	Taxation				
	Current	222	4.66	263	6.38
	Deferred	(10)	(0.21)	—	—
	Fringe Benefits	7	0.15	7	0.17
	On Dividend	16	0.33	15	0.36
7	Dividend	96	2.01	96	2.33
8	Retained Earnings	359	7.54	395	9.59
TOTAL		4762	100.00	4121	100.00