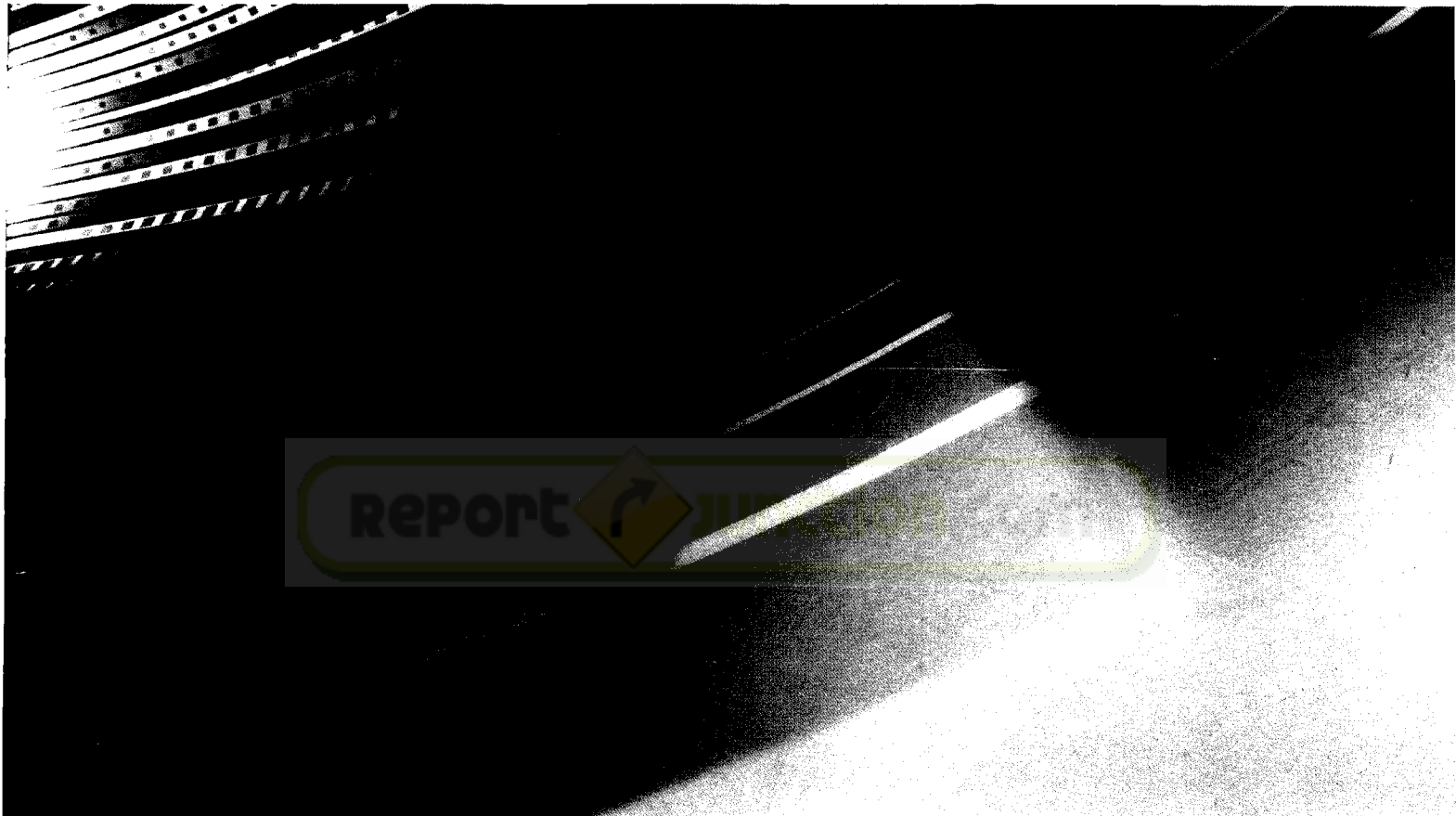
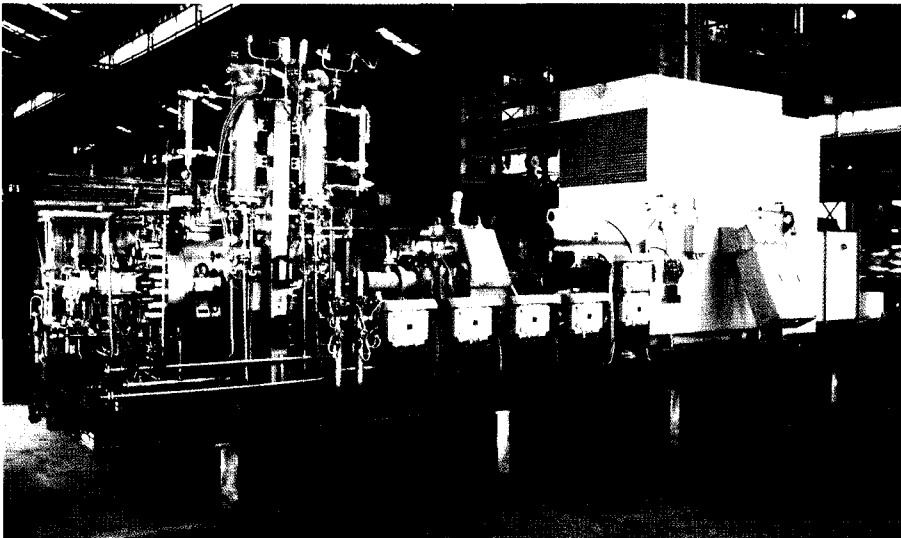


49th Annual Report, 2008





Pumpset - Ready to go.....



High pressure, multistage pumpset with motor, gear box and related accessories.

Customer : M/s Bharat Oman Refinery

Application : DHT Reactor feed pump

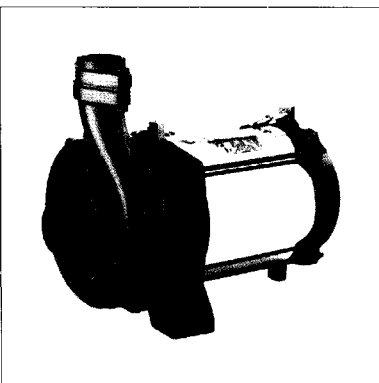
Pump type : CHTR 4/6



Product Launch



CENTRIBLOC
Centrifugal monobloc pumpsets



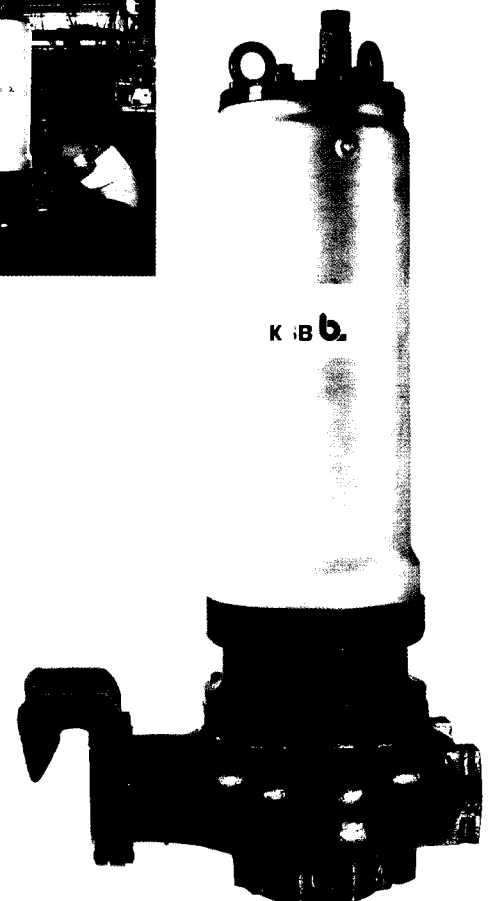
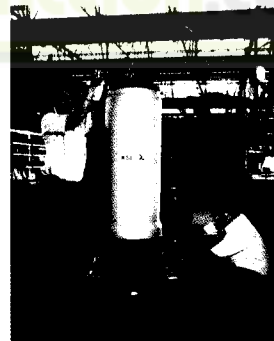
MONOSUB RE
Openwell submersible monobloc pumpsets (extended range of MONOSUB R)



Product Development

Big "K"

KRT - Single stage, submersible non-clog pumpsets.
Available up to 160 kW.





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KSB PUMPS LIMITED

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ANNUAL GENERAL MEETING

Date : 21st April, 2009
 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

GENERAL INFORMATION

Board Of Directors

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

Registered Office

126, Maker Chambers III Nariman Point, Mumbai 400 021

Zonal Offices

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

Factories

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

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

Link Intime India Pvt. Ltd.
(formerly known as 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, 2008.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs in Million	
	Year ended 31.12.2008	Year ended 31.12.2007
Sales (net) & Other Income	6065.0	4761.7
Profit before taxation	986.4	678.6
Less: Provision for taxation		
Current	340.0	222.3
Deferred	(0)	(10.5)
Fringe Benefit Tax	7.7	6.8
	347.7	218.6
Profit after tax	638.7	460.0
Adjustment of tax of earlier years	8.6	10.8
Profit for appropriation	647.3	470.8
Appropriation:		
Dividend	95.7	95.7
Tax on Dividend	16.3	16.3
General Reserve	70.0	50.0
Profit & Loss Account	465.3	308.8
	647.3	470.8

(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 the Company's working results have shown improvement over the previous year, both in terms of sales

and profit. The improved results can be attributed to higher volume, favourable product mix and effective cost control.

Present recessionary trend resulting from the global financial crisis, affecting almost all the sectors of the economy, is likely to have impact on the performance of the Company in the year 2009. As a manufacturer of capital equipment, the Company's working is closely linked to development and growth in industry such as refineries, power, oil, petrochemicals and fertilizers which use large pumps in size and number. The Company's profitability would depend on inflow of orders for pumps and valves from such industries. In the absence, it would require placing reliance on small and standard pumps and valves, which do not contribute significantly as compared to project orders. The Company is taking necessary steps to face the current downturn in the economy.

Exports increased by 2.5 times over the previous year, which is a positive trend. This trend may not likely continue in view of global meltdown.

(ii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2008, 7 depositors (Rs.0.06 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.48,895 being unclaimed fixed deposits and interest and an amount of Rs.277,561, being unclaimed dividends upto the year 31.12.2001, were transferred to the Investor Education & Protection Fund established by the Central Government.

BOARD'S REPORT (Contd.)

(iv) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2008 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 11.3 mio. (previous year Rs. 9.6 mio.) for business upto the date, are attached.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs. 190.2 mio. for the year ended 31st December, 2008 (previous year Rs. 201.1 mio.).

(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. W. Spiegel, Mr. A.R. Broacha and Mr. G. Swarup retire by rotation and are eligible for re-appointment.

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 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.

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 has a well developed high standard Environment Management System (EMS). The Company has been awarded Environmental Management Certification according to the international standard ISO 14001:2004 for all its major manufacturing locations. The Company continues to make



BOARD'S REPORT (Contd.)

investments in upgrading pollution control equipment at all the factories. Regular reviews and internal audits are carried out to ensure compliance with statutory requirements. Some of the environmental related initiatives are reduction of energy consumption, reduction of alternative material for packaging to reduce usage of wood and rain water harvesting.

The Company gives priority to the health and safety of its employees. For this purpose various measures such as training, educating workers with safe working guide lines, mock drills etc. are implemented.

CORPORATE SOCIAL RESPONSIBILITY

The Company has made a modest beginning in this field. During the year it has formed a 'KSB Care Charitable Trust' to discharge social responsibilities. The Trust has been registered on 17th January, 2009 under the Bombay Public Trust Act, 1950. It is expected to be operational in the year 2009.

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 have expressed their unwillingness to seek re-appointment. It is proposed to appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors of the Company for the year 2009. A special notice has been received from a Member of the Company, in terms of provisions of the Companies Act, 1956, signifying its intention to propose the appointment of Messrs. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors of the Company. The Company has received a certificate from Messrs. Deloitte Haskins & Sells, Chartered Accountants, to the effect that their 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

G. SWARUP
CHAIRMAN

Mumbai, 4th March, 2009

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

In the beginning of the year 2008 the economy was on a higher growth path with the macro-economic fundamentals inspiring confidence and a general optimism about the medium to long term prospects of the economy. The economy was expected to slow down marginally from the three years of 9% plus growth in real GDP reflecting a cyclical downturn in the global economy and expectations were that the growth would be around 8.5%. High oil prices and domestic inflation and worsening of international financial crisis which had surfaced in 2007 have been definite areas of concern. But the global situation deteriorated massively after mid-September 2008 following collapse of series of investment banks in the US. This resulted in choking of credit and global crash in stock markets. The slow down that was expected in the global economy became worse with the US, Europe and Japan moving into recession.

Crisis of this magnitude in industrialized countries has impact around the world especially in the emerging market countries like India.

The Indian economy which started with a strong economic performance lost the momentum once the ripple effects of the gloom in the global economy set in. Sensex in January 2008 was all time high at 21206, came down to around 9000 towards the end. The high cost of crude oil around US\$ 150 per barrel in August, 2008 added to the country's woes in terms of higher import bill. Rupee weakened against dollar sliding down from Rs.39 in the beginning of the year to Rs.48 towards the end.

According to the estimates released by Central Statistical Organisation (CSO) the real GDP growth was 7.6% in the second quarter of 2008-09 as compared to 9.3% of the corresponding quarter of 2007-08, reflecting deceleration in growth of industry

and services. The agricultural production was below the estimate. The index of industrial production recorded 3.9% as compared to 9.2% in the previous year. India's balance of payments position witnessed widening of trade deficit.

The crisis in global financial markets deepened since mid September, 2008 exerting pressure on financial markets and crashing of equity markets leading to wide spread volatility. The global turmoil in the financial markets spilled over the emerging markets. This has finally affected the manufacturing sector. As a result, authorities in several countries embarked upon an unprecedented way of policy initiatives to contain systematic risk, arrest the plunge in asset prices and shore of the confidence in the international banking system. This has brought about some level of stability. The Indian Government has not lagged behind. It has been successful in bringing down inflation from 12.9% in August, 2008 to around 6% towards the end of the year.

The challenges of high growth and now global recession have become more complex especially with increased globalization of world economy and growing influence of global developments, economic and non-economic. Upgrading infrastructure – such as energy, roads, inflation management, promoting growth of industrial sector, stability in financial market, containing deficit, both domestic and external, promoting exports amidst global recession are the major challenges that are faced by Indian economy.

2.2 Pumps & Valves Industries

The growth witnessed by the Pumps and Valves Industry was in line with the performance of the Indian economy. The growth in these sectors mainly came from Energy sector. This was the result of capacity additions in Super Critical plants including Ultra Mega Plants. On the other hand, increased forays from Chinese contractors into Energy Sector continued to exert pressure on the demand. Demand for Submersible pumps is weather dependent and varies with geographical location. Growth in standard industrial pumps is closely linked to the development in the industrial sector of the economy. Trends in



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

waste water sewage market are encouraging due to increased Government spending. The earlier buoyant demand for industrial valves tapered off in the latter part of the year due to drop in activities in Steel and General Industry.

3.0 OPPORTUNITIES AND THREATS

11th Five Year Plan has started. With India's energy requirements ever growing, there is a continued upward shift in the growth of the energy sector. Activities in the industrial segment towards the end of 2008 has been affected by the Global Economic Crisis.

The increased activities of international players are witnessed in the Indian market. Lowering of duties and ever increasing international competition under globalisation are expected to be more severe in the years to come. There is no change in the market dynamics in the domestic sector with intense competition from domestic as well as international players.

4.0 SEGMENT WISE PERFORMANCE

During the year under review, 105656 (nos.) pumps were sold representing sales value of Rs.4308 mio. Pumps manufactured were 110448 (nos.).

146350 (nos.) valves were sold representing a sales value of Rs.1230 mio. 154155 (nos.) valves were produced during the year.

EXPORT

During the year under review, exports of pumps and valves in terms of value were Rs.826 mio. as against Rs.333 mio. in the previous year. Agency commission earned was Rs.25.4 mio. The exports growth is dependent upon the domestic demand.

5.0 OUTLOOK

The global economic crisis and its influences on the Indian economy is affecting the operations of the Company. The order in take and the demand in the year 2009 is expected to be lower. Standard pump business and the Valves division are mainly affected by the crisis.

Program of production harmonization started last year at various manufacturing locations is progressing satisfactorily. The Company continues its focus on innovation to meet the ever changing requirements of the customer.

6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

Due to lower demand, the competition is expected to be more aggressive leading to price pressures. The lower world wide economic growth is expected to impact the growth in India and consequently the company's operations. Liquidity in the economy is a main concern leading to strain on cash flows of the companies. .

The growth in the industrial sector depends on removal of labour market rigidities; enter exit barriers and multiple stages and level of approvals.

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 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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

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

9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

In the present environment, the main challenge will be to bridge the human resource gap in terms of capabilities, deployment, systems and processes. At KSB India, HR focus in 2008 was on developing HR systems designed to unlock the full potential of the employees at all locations, develop the leaders and provide opportunities for continuous skill development.

In order to make KSB a better place to work, the Employee Engagement Survey at all locations of KSB India was conducted soliciting opinions of the employees on various policies, practices and processes followed at KSB India. It is proposed to put into action valuable suggestions received from employees to improve the engagement level.

Initiatives on Learning and Development has been undertaken through training programmes at various locations of KSB India on technical skills development, organizational development, self development, competency and capability development including Workmen Development programmes.

Industrial Relations at 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

G SWARUP
Chairman

Mumbai, 4th March, 2009

DISTRIBUTION OF INCOME

	Year ended 31.12.2008		Rs. in million Year ended 31.12.2007	
	Rs.	%	Rs.	%
1 Raw Materials/Bought-out Components Consumed	2930	48.31	2267	47.61
2 Employee Cost	774	12.76	626	13.15
3 Administrative, Sales & Other Expenses	1213	20.00	1063	22.32
4 Interest	23	0.37	6	0.13
5 Depreciation	130	2.14	110	2.30
6 Taxation				
Current	340	5.61	222	4.66
Deferred	—	—	(10)	(0.22)
Fringe Benefits	8	0.13	7	0.15
On Dividend	16	0.26	16	0.34
7 Dividend	96	1.58	96	2.02
8 Retained Earnings	535	8.84	359	7.54
TOTAL	6065	100.00	4762	100.00