

50th Annual Report - 2009





Pump with Barrel length 7.2 m

WKTA 350/3 - The biggest condensate extraction pumps made by KSB in India. These 10 pumps are ordered by M/s Coastal Gujarat Power Ltd. (a Tata Power Company) for their 5 x 800 MW Ultra Mega Power Project at Mundra.

Expansion of Steel Foundry, Vambori



New Steel Foundry shed

First pouring at the hands of Dr. Buthmann



Furnace area



New Steel Foundry which is a part of expansion Phase I, was inaugurated at the hands of Dr. Peter Buthmann (Member of the Board, KSB AG) on 24th February 2010. With this expansion, capacity of Steel foundry will be 1200 T/a and this will take care of critical Steel and Stainless Steel castings required not only by KSB India but by KSB Group also.



CONTENTS

KSB PUMPS LIMITED

	Page Nos.
General Information	2
Board's Report	3-5
Annexures	
i. Management Discussion & Analysis Report	6 - 10
ii. Report on Corporate Governance	11 - 21
iii. Other Annexures	22 - 23
Auditors' Report	24 - 27
Balance Sheet	28
Profit & Loss Account	29
Cash Flow	30 - 31
Schedules 1 to 19	32 - 53
Consolidated Accounts	54 - 77
Subsidiary's Accounts -	
Pofran Sales and Agency Ltd.	78 - 87
Balance Sheet Abstract – KSB Pumps Ltd.	88

ANNUAL GENERAL MEETING

Date : 29th April, 2010
 Day : Thursday
 Time : 2.00 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 - Bhubaneswar, 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

Deloitte Haskins & Sells

Cost Auditors

Dhananjay V. Joshi & Co.

Registrars & Transfer Agents

Link Intime India Pvt. Ltd.
Tel No. 25946970



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, 2009.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs. in Million	
	Year ended 31.12.2009	Year ended 31.12.2008
Sales (net) & Other Income	5753.0	6065.0
Profit before taxation	1007.7	986.4
Less: Provision for taxation		
Current	350.0	340.0
Deferred	(9.0)	(0)
Fringe Benefit Tax	2.4	7.7
	343.4	347.7
Profit after tax	664.3	638.7
Adjustment of tax of earlier years	(2.5)	8.6
Profit for appropriation	661.8	647.3
Appropriation:		
Dividend	217.5	95.7
Tax on Dividend	37.0	16.3
General Reserve	70.0	70.0
Profit & Loss Account	337.3	465.3
	661.8	647.3

(ii) Dividend:

An interim dividend of Rs. 2 per share of Rs. 10 each (20%) was paid during the year. The Board of Directors propose a final dividend of Rs. 10.50 per equity share of Rs. 10 each (105%) making a total of Rs. 12.50 per equity share of Rs. 10 each (125%) for the year.

GENERAL REVIEW

(i) Working:

As reported last year, the Company's performance has been affected on account of economic downturn caused by global financial crisis. During the year under review, the Company has earned higher profit before tax compared to the previous year even though there has been a slight decline in the sales and higher depreciation charge. This is attributed to favorable product mix, effective cost control measures resulting into lower cost of material and operating expenses. The profit could be maintained on account of execution of past orders, which were booked with comfortable margin and improvement in sales of small and standard pumps. In the view of global crisis, exports during the year declined from Rs. 826 mio. to Rs. 782 mio.

In the current year, the order inflow of project business obtained under stiff competition has lower margin compared to year under review. This is likely to have effect on performance of the year 2010.

The contribution from valves division has declined substantially due to global recession and increased competition from domestic and foreign suppliers and entry of new players.

The Company has taken necessary steps to maintain the growth in this economic downturn and face new challenges.

(ii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2009, 5 depositors (Rs.0.04 mio) had not claimed their deposits on the due dates.

BOARD'S REPORT (Contd.)

- (iii) Transfer to Investor Education & Protection Fund:

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of Rs.34,774 being unclaimed fixed deposits and interest and an amount of Rs.108,235, being unclaimed dividends upto the interim dividend for the year ended 31.12.2002, were transferred to the Investor Education & Protection Fund established by the Central Government.

- (iv) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2009 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 14.2 mio. (previous year Rs. 11.3 mio.) for business upto the date, are attached.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs. 208.7 mio for the year ended 31st December, 2009 (previous year Rs. 190.2 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

Dr. Wolfgang Schmitt, Mr. N.N. Kampani and Mr. D.N. Damania 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 departure;
- 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;
- 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.



BOARD'S REPORT (Contd.)

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

Environment Management System (EMS) is committed to achieving the highest possible standards of environmental management, health, safety and compliance with all relevant environmental legislations and regulations. While upgrading manufacturing facilities environment protection takes priority. Reviews and audits of EMS are carried out on regular basis. Environment related initiatives are undertaken practically at all levels and in all functions of the organization. Philosophy of "reuse of available resources" has resulted into reduction of energy consumption, reduction in usage of wood and replacement of asbestos material from all the products. Rainwater harvesting has been introduced at certain locations.

Safety and health of the employees receive utmost importance at every workplace of the Company. Safe operating procedures, standards and systems have been laid down at all manufacturing locations. Regular training of employees regarding safe working guidelines, audit and review of every accident, mock drills

on emergency are some of the steps that are followed to achieve higher safety standards. Safety requirements are also extended to our subcontractors and visitors.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Company has received all the approvals necessary for the operation of 'KSB Care Charitable Trust'. The main objectives of the Trust are educational, medical relief and drinking water supply. A project for fulfilling the above objectives is expected to be implemented during the current year.

AUDITORS

You are requested to appoint auditors for the current year and to fix their remuneration. The retiring auditors Messrs. Deloitte Haskins & Sells, Chartered Accountants, are eligible and offer themselves for re-appointment. The Company has received a certificate from Messrs. Deloitte Haskins & Sells 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

G. SWARUP
CHAIRMAN

Mumbai, 12th March, 2010

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

Year 2009 began with recessionary and economic slowdown on account of the worst ever turmoil in the financial sector of the advanced economies in the last 60 years. This led to downscaling of forecast of Global GDP at 0.5 to 1.00 % (IMF) and contraction of global trade volume by 9% (WTO). Government and central banks around the world took measures to arrest downturn.

India like all other emerging economies was affected. After clocking an average annual growth of 8.95% over last five years (2003-08) there was cyclical downturn. Exports declined, growth momentum was interrupted, major projects of infrastructure especially in oil and energy sectors postponed on account of dampening of investors' confidence. Decline in industrial sectors coupled with worst ever monsoon since 1972 aggravated the slowdown.

Towards the second half of 2009 the global economy showed incipient signs of stabilization albeit not recovery, mainly on account of policy-induced stimulus.

India did not have severe negative effects compared to the advanced economies thanks to steps taken by the government and RBI, normal functioning of financial sectors coupled with sizeable internal consumption and unlike developed economies no failure of banks.

Towards end of half of 2009, the economy showed signs of arrest of slowdown. Performance of Industrial Sector showed upturn and also inflows of capital. However, inflation, lower private consumption demand, decline in the growth of agriculture are causes of concerns. Indian economy faces the

challenges of revival of investment demand, removing constraints of supply and fiscal and current account deficits.

Indian economy continues to face challenges of upgrading infrastructure – such as energy, roads, promoting growth of industrial sector, containing deficit, promoting exports amidst global recession and containing inflation which has once again raised its ugly head.

2.2 Pumps & Valves Industries

The Pumps industry in India is more than seven decades old. There are more than 500 manufacturers of pumps in the country which meet around 95 per cent of the domestic demand. Indian pump industry is characterized by the coexistence of large number of SSI units and plenty of foreign manufacturers. Most of the players in the unorganized sector cater to agriculture sector. The availability of subsidy, cheap or free power and decision made by individual farmers rather than consultants has helped the players in the unorganized sector push their products in agriculture sector.

The first six months of the Calendar year 2009 witnessed significant drop in the business activities resulting in lower business volume for industrial Pumps and Valves business. However pumps mainly required for Agriculture were less affected by the economic slow down. One of the major segment of the economy – Energy – though was not seriously affected still saw some postponement of projects. The same trend was also reflected in Oil and oil related business. As a result of Government impetus to infrastructure projects, investments in waste water / sewage projects continued uninterrupted.

3.0 OPPORTUNITIES AND THREATS

With India's ever growing requirements of energy and capacity addition planned by the Government, there exists substantial opportunity for the Company as the company's products are geared up for this sector.

With the globalization, new international players are making a thrust in the Indian



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

market by creation of additional manufacturing capacities. This would result in further intensification of competition leading to price pressures.

4.0 SEGMENT WISE PERFORMANCE

During the year under review, 121398 nos. pumps (previous year 105656 nos.) were sold representing sales value of Rs.4210 mio. (previous year Rs. 4124 mio.) Pumps manufactured were 123741(nos.).

During the year 98727 nos. (previous year 146350 nos.) valves were sold representing a sales value of Rs. 839 mio. (previous year Rs. 1230 mio.). 106961 (nos.) valves were produced during the year.

EXPORT

Global recession also had effect on the export earnings of the Company. During the year under review, exports of pumps and valves declined from Rs.826 mio. to Rs. 782 mio. Earnings in agency commission also declined from Rs.25.4 mio. to Rs. 15.5 mio.

5.0 OUTLOOK

The global economic crisis and its influences on the Indian economy is affecting the operations of the Company. However the Company is taking effective steps to look for new business opportunities. The growth in order in take in 2010 is expected to be moderate.

Program of production harmonization 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 rate 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;

entry & exit barriers and multiple stages and levels 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. This resulted in reduction in inventory from Rs. 1332 mio. to Rs. 1163 mio. Also extra efforts to recover dues resulted in debtors outstanding coming down from Rs. 1373 mio. to Rs. 1040 mio. Ultimately cash and bank balances swelled from Rs. 486 mio. to Rs. 975 mio.

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

In the present environment, the main challenge will be to bridge the human resource gap in terms of capabilities, deployment, systems and processes. In the year 2009 focus was on deploying 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 the Company a better place to work, the Employee Engagement Survey was conducted at all locations of the Company in which 95% of employees have recorded their opinions on various policies and processes followed by the Company. The process of making the action plan to improve the engagement level is in progress.

Learning and Development by organizing the programmes for the employees at all levels have been initiated. This includes training programmes at various locations of the Company 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, 12th March, 2010

DISTRIBUTION OF INCOME

	Year ended 31.12.2009		Rs. in million Year ended 31.12.2008	
	Rs.	%	Rs.	%
1 Raw Materials/Bought-out Components Consumed	2554	44.39	2871	47.34
2 Employee Cost	798	13.87	774	12.76
3 Administrative, Sales & Other Expenses	1174	20.41	1272	20.97
4 Interest	18	0.31	23	0.38
5 Depreciation	204	3.55	130	2.14
6 Taxation				
Current	350	6.08	340	5.61
Deferred	(9)	(0.16)	0	0.00
Fringe Benefits	2	0.03	8	0.13
On Dividend	37	0.64	16	0.26
7 Dividend	218	3.79	96	1.58
8 Retained Earnings	407	7.07	535	8.82
TOTAL	5753	100.00	6065	100.00