

52nd Annual Report - 2011





Plant expansion at Sinnar



On 22nd January 2012 Mr. Werner Spiegel inaugurated the shed.

Launch of new range of energy efficient Monobloc Pumps - MONOSUB RV



MONOSUB RV - openwell submersible monobloc pumpset in vertical execution. This model follows in the wake of its earlier successful models viz MONOSUB, MONOSUB R and MONOSUB RE in single stage and 1 & 3 phase versions.

These MONOSUB RV pumpsets are available in 1 & 3 phase motors which can deliver head up to 150 mtr. and flow up to 85000 liters per hour. Motor rating up to 16.8 kW (22.5 hp) are available in 4 different pump models.



moviBOOST

Water Pressure Boosting systems

One of the biggest moviBOOST systems made by KSB in India and supplied to Reliance Industries Corporate Park at Navi Mumbai.

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ANNUAL GENERAL MEETING

Date : 12th April, 2012
 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. : 022-66588787
 Fax No. : 022-66588788
 Shareholders' Grievance Cell: mpparchure@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 & Associates

Registrars & Transfer Agents

Link Intime India Pvt. Ltd.
Tel No. 25946970
Email-rnt.helpdesk@linkintime.co.in

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, 2011.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs. in Million	
	Year ended 31.12.2011	Year ended 31.12.2010
Sales (net) & Other Income	7641.3	6269.6
Profit before taxation	622.9	742.4
Less: Provision for taxation		
Current	207.0	254.0
Deferred	(5.4)	(27.3)
	201.6	226.7
Profit after tax	421.3	515.7
Adjustment of tax of earlier years	8.5	(0.1)
Profit for appropriation	429.8	515.6
Appropriation:		
Dividend	139.2	174.0
Tax on Dividend	22.6	28.2
General Reserve	45.0	55.0
Profit & Loss Account	223.0	258.4
	429.8	515.6

(ii) Dividend:

An interim dividend of Re 1 per share of Rs 10 each (10%) was paid during the year. The Board of Directors propose a final dividend of Rs 3 per share of Rs 10 each (30%) making a total of Rs 4 per share of Rs 10 each (40%) for the year.

GENERAL REVIEW

(i) Working:

During the year under review, the Company has earned lower profit before tax compared to the previous year even though there has been an increase in the sales. Execution of the project orders which were obtained earlier with lower margin affected results considerably. Further costs push inflation increased the input costs significantly, mainly materials, which could not be passed on to the customers. Some of the large orders could not be executed as customers did not take delivery of pumps and valves on account of project delay at their end. Hence the situation of heavy pressures on margin continued in the year 2011.

Export increased by 68 mio. from 633 mio. last year to 701 mio.

The Company continues with its efforts to maintain the growth in this economic downturn and face new challenges.

(ii) The Company has allotted 1,74,03,922 bonus shares on 20.04.2011 in the proportion of one new equity share for every one existing equity share.

(iii) Unclaimed Bonus Shares :

Total 25,390 bonus shares held by 158 shareholders were unclaimed in the year 2011, after allotment. Out of which 2,646 bonus shares were transferred to respective 7 shareholders who had approached for such shares. Now the total number of shares outstanding is 22,744 held by 151 shareholders.

(iv) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2011, 2 depositors (Rs.25,000) had not claimed their deposits on the due dates.

BOARD'S REPORT (Contd.)

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

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of Rs.56,480 being unclaimed fixed deposits and interest and an amount of Rs.260,529 being unclaimed dividends up to the year 31.12.2004, were transferred to the Investor Education & Protection Fund established by the Central Government.

- (vi) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2011 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 25.3 mio (previous year Rs. 16.4 mio.) for business upto the date, are attached.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs 280.5 mio for the year ended 31st December, 2011 (previous year Rs. 279.1 mio) .

- (vii) Management Discussion and Analysis Report:

Annexed to this Report

- (viii) Corporate Governance:

Annexed to this Report

- (ix) 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. A. R. Broacha, Mr. G. Swarup and Dr. W. Schmitt 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 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 shareholders, 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

The Company is committed for delivering quality product with minimum adverse impact on the environment. A well developed Environment Management System (EMS) is established in the Company. EMS is adherent to the highest possible standards of environmental management, health, safety and compliance with all relevant environmental legislations and regulations. The Company has been awarded Environmental Management and Quality Management Certification according to the international standard ISO 14001: 2004 and ISO 9001:2008 respectively.

KSB Group has become a member of "United Nations Global Compact" whereby it has committed to fundamental principles of the said organization.

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. Environmental impacts are assessed and actions are taken in planned manner. Some of the environment related initiatives are installation of bio-gas plant, installation of fume extraction to mitigate air emission and rain water harvesting.

Safety and health of the employees receives 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

KSB Care Charitable Trust has started a project of supporting a school near Company's foundry at Vambori. The support is mainly directed towards providing infrastructure in the school.

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(1B) of the Companies Act, 1956.

On behalf of the Board of Directors

G. SWARUP
CHAIRMAN

Mumbai, 22nd February, 2012

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 2011 began with a note of caution on the sustenance of economic growth achieved in 2009-10. Monetary policy was tightened throughout the fiscal, as inflation remained stickily above trend on the back of continued supply-side constraints. As a result, although economic growth continued to be in trend; future growth expectations remained firmly anchored throughout the year.

Indian economy started on a positive note however, slowly it showed negative trends. Concerns on the Euro area sovereign balance sheets and funding requirements continued to drag the ability of sustained high-growth expectations. Rising international crude oil prices and limited room for manoeuvring in the domestic pricing of fuel kept government borrowings high across the period.

As interest rates firmed up through the period, banks progressively passed on the increased cost in the form of higher lending rates. As a result, aggregate investment moderated in the fiscal, as effects of a sustained tight monetary policy began to show, driven largely in contraction of capital goods output. Also, while indicators on the service sector remained robust, others such as PMI, tax collections and growth in bank credit indicated a plateauing out of growth across sectors and waning investment momentum.

Overall, Indian economy continues to face challenges of improving agricultural productivity, upgrading infrastructure, promoting growth of industrial sector, containing deficit, promoting exports amidst a global slowdown and containing inflation.

2.2 Pumps & Valves Industries

During the course of 2011, global growth slowed down considerably. The worsening debt crisis in Europe, the dramatic events in Japan – with their consequences on energy policy – and the political changes in North Africa, all had a negative impact on the willingness of many customers to invest in the construction of major new facilities such as power generation plants. Project business with pumps and valves therefore remained difficult in the second half of 2011.

Due to difficult environment, earning development in the project business was impacted by severe price erosion and correspondingly lower margin; rising material and staff costs also weighed down the earnings.

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 products are geared up for this sector.

With the globalization, new international players are making a thrust in the Indian market by creation of additional manufacturing capacities. This would result in further intensification of competition leading to price pressures.

4.0 SEGMENTWISE PERFORMANCE

During the year under review, 155744 nos. pumps (previous year 143674 nos.)

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

were sold representing sales value of Rs.5248 mio. (Previous year Rs. 4352 mio.). Pumps manufactured were 165785 (nos.).

During the year 153138 nos. valves (previous year 131966 nos.) were sold representing a sales value of Rs.1396 mio. (previous year Rs. 1011 mio.). 163907 (nos.) valves were produced during the year.

EXPORT

During the year under review, exports of pumps and valves in terms of value were Rs. 701 mio. as against Rs.633 mio. in previous year. Agency commission earned was Rs. 35.6 mio.

5.0 OUTLOOK

For the current year, the Company expects the market for pumps, valves and services to grow moderately. The Company is taking effective steps to improve earning before income tax in current year.

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

The competition is expected to be more aggressive leading to price pressures. Uncertainty in global economic growth coupled with inflationary pressures is expected to impact the growth rate in India and consequently the Company's operations.

The growth in the industrial sector depends on better infrastructure, removal of labour market rigidities and growth in agricultural sector.

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 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

Due to lower profits and increase in inventory, the Company's cash balance is reduced compared to last year. Increase in inventory is partly on account of delay in lifting of pumps and valves by customers.

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

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

Attracting and retaining talent remained a major challenge for the Company in 2011. Like last few years, the Company has focused on various people development initiatives such as Learning and Development, Developing Leadership Culture, Succession Planning, Employee Engagement and Performance Management.

Learning and development initiatives were more sharpened with the process of Competency Mapping and Competency Development. The Company continued the structured Leadership Programmes with the focus on Value Based Leadership Development for all the Managers.

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, 22nd February, 2012

DISTRIBUTION OF INCOME

		Rs. in million	
		Year ended 31.12.2011	Year ended 31.12.2010
		Rs. %	Rs. %
1	Raw Materials/Bought-out Components Consumed	3984 52.14	3022 48.21
2	Employee Cost	1050 13.74	918 14.64
3	Administrative, Sales & Other Expenses	1738 22.75	1375 21.93
4	Interest	28 0.37	5 0.08
5	Depreciation	218 2.85	207 3.30
6	Taxation		
	Current	199 2.60	254 4.05
	Deferred	(5) (0.07)	(27) (0.43)
	On Dividend	22 0.29	28 0.45
7	Dividend	139 1.82	174 2.78
8	Retained Earnings	268 3.51	313 4.99
	TOTAL	7641 100.00	6269 100.00