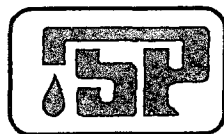


12th
ANNUAL REPORT
2006-2007

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SHAKTI PUMPS (INDIA) LTD.



BOARD OF DIRECTORS

Manohar Lal Patidar	:	Managing Director & Chairman
Dinesh Patidar	:	Managing Director
Sunil Patidar	:	Executive Director
P.L. Nene	:	Independent Director
S.S. Raghuwanshi	:	Independent Director
Lalit Garg	:	Independent Director
Ramesh Patidar	:	Director
Raj Kumar Jain	:	Independent Director

COMPANY SECRETARY

L. K. Sharma

AUDITORS

M/s. Saklecha & Gandhi
105, Man Heritage
6/2 South Tukoganj
Near High Court Indore, 452001

REGISTERED OFFICE & WORKS

Plot No. 1 Sector A Mhow Neemuch Road,
Pithampur Distt. Dhar (M.P.)

BANKERS

State Bank of Indore
State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

M/s Adroit Corporate Services Pvt. Ltd.
19, Jafarbhoy Industrial Estate, 1st Floor
Makwana Road, Marol Naka,
Andheri (E) MUMBAI
ISIN (DEMAT) NO:INE 908D01010
BSE Scrip Code: 531431

Website : www.shaktipumps.com

Website : www.shaktipumps.in



SHAKTI PUMPS (INDIA) LTD.

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NOTICE

Notice is hereby given that the 12th Annual General Meeting of SHAKTI PUMPS (INDIA) LIMITED will be held on Friday 28th December 2007 at 11.00 A. M. at the 3rd Unit of the Company, Plot No. 401, 402, 413 Sector III Industrial Area, Pithampur 454775 Dist. Dhar M.P. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June 2007 and the Profit & Loss Account for the year ended on that date along with the Report of Directors and Auditors thereon.
2. To declare dividend.
3. To elect Director in place of Shri S. S. Raghuwanshi who retires by rotation and being eligible offer himself for reappointment.
4. To elect Director in place of Shri Ramesh Patidar who retires by rotation and being eligible offer himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

By Order of the Board
For Shakti Pumps (India) Ltd.

L.K. Sharma
Company Secretary

Place: Pithampur
Date 29.10.2007

Notes :

1. A member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member. Proxies in order to be effective must be received by the company not less than 48 hours before the commencement of this meeting.
2. The Register of Members and Share Transfer Book of the Company shall remain closed from -22.12.2007 to 28.12. 2007.(both days inclusive)
3. Members are requested to send their queries, if any, at least seven days in advance of the meeting.
4. Members are requested to bring their copies of Annual Report with them, since separate copies will not be distributed at the venue of the Annual General Meeting.
5. Members/proxies should bring the Attendance Slip sent herewith, duly filled, for attending the meeting
6. All documents relevant to the business to be transacted at this meeting will be available for inspection at the registered office of the Company during office hours on all the working days up to the date of Annual General Meeting.
7. Members who hold shares in Electronic form are requested to bring their Depository ID number and client ID number to facilitate easier identification for attendance at the Annual General Meeting.
8. Since the securities of your company have come under the compulsory dematerialisation as per the requirements of SEBI, henceforth all the members are requested to get their shares dematerialized at the earliest.
9. The share holders are hereby informed that all the correspondence in connection with the shares be addressed to the Registrar & Share Transfer Agent M/s Adroit Corporate Services P. Ltd. 19 Jafarbhoy Industrial Estate, 1st Floor Makwana Road, Marol Naka Andheri (E) Mumbai



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**Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(In pursuance of Clause 49 of the Listing Agreement)**

Name of Directors	Mr. S.S. Raghuwanshi	Mr. Ramesh Patidar
Date of Birth	21.12.1935	25.01.1973
Expertise in specific functional area	Completed major water Supply projects- Indore, Ujjain, Gwalior, and Jabalpur	Export & Marketing
Qualification	B.E. (Hons.) Civil Engineering	M.B.A. Diploma in Import Export Management
List of outside Directorship held	Nil	Nil
Chairman /Member of the Committee of the Board of Directors of the company	Member of Audit Committee and Remuneration Committee	Nil
Chairman /Member of the Committee of the Board of Directors of other companies	Nil	Nil

For and On Behalf Of The Board
For Shakti Pumps (India) Ltd.

Place : Pithampur
Dated : 29.10.2007

L.K. Sharma
Company Secretary

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SHAKTI PUMPS (INDIA) LTD.

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 12th Annual Report of the Company and the Audited Statement of accounts for the year ended 30th June, 2007.

01. FINANCIAL RESULTS

In Rs. lacs

	Financial year ended 30.06.2007	Financial year ended 30.06.2006
a) Sales :	5938.61	4106.83
Export	3095.15	3027.41
General	2843.46	1079.42
b) Profit before Intt.& Depreciation	794.68	522.55
c) Interest & Financial Charges	318.34	193.78
d) Depreciation	120.31	77.35
e) Profit before Tax	356.03	251.42

DIVIDEND :

Considering the profit earned by the company during the year under review your Directors have pleasure to recommend dividend @ 10% (Rs.1/- per equity share of Rs.10/- each) for the year ended 30th June 2007 subject to the approval of shareholders in the ensuing Annual General Meeting. Under the Income Tax Act, the receipt of dividend is tax free in the hands of the shareholder.

OPERATIONS :

During the year under review the total turnover has increased from 4106.83 Lacs to Rs. 5938.61 Lacs showing a growth of 44.60%

Profit before Tax of the Company for the year under review has also increased from Rs. 522.55 lacs to Rs.794.68 lacs showing a growth of 52.07%.

FUTURE OUTLOOK :

In the present scenario requirement of water is increasing rapidly due to the fast urbanization, development in industries and agriculture. This situation has created extra demand for water pumps/submersible pumps. Your company has introduced energy efficient pumps in domestic as well as in foreign markets the company's product have been tested and found saving energy up to 40%.

With special quality of energy saving, your company has recorded its presence in the world market with export to more than forty countries. Prominent among the said countries are Turkey, Egypt, U.A.E., Spain, U.S.A., Singapore, Greece, Indonesia, Netherlands, Germany, Poland, Switzerland, Kenya, Philippines, France, Italy, Morocco, South Africa, Saudi Arabia, Iraq, and Australia.

Shakti Pumps (India) Limited is poised to generate escalated revenues and profitability during the current year with increased installed production capacities and developing domestic market networking of the company.

The company has also decided on a strategy to establish direct presence once market is matured and opportunity is large. This will improve margins and will create brand equity. The company has taken a step in this direction by setting up its subsidiaries in Australia and Turkey.

The company is looking to expand its present distributorship network by adding more distributors. It is identifying newer opportunities in market like Middle East where it has found that its products can find a wider application by little modifications in the features as per requirements.



SHAKTI PUMPS (INDIA) LTD.

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The company is moving ahead for expansion of its activities as per the policy decision of the company. The Stainless Steel submersible Pumps are well acceptable in international market as well as in domestic market because of awareness of the people about saving of electricity which is main feature of our product. The company is increasing its export every year by exploring new international market for its products.

SEZ Division

The company aimed for setting up a new project in SEZ Pithampur with installed production capacity of 200000 submersible pumps to expand its manufacturing and business activities with a view to cater exclusively the demand of the company's products in the international market through this division of the company under its expansion plan- Phase I. Though, installation of plant and machineries and its development process is still continuing, the division has started its first production on 16.03.2007 as trial production. It is expected the division will start working in its full capacity soon.

Unit III

For expansion of manufacturing capacities for energy efficient submersible pumps and to set up manufacturing facilities for stainless steel motors and other uses permitted by applicable rules and regulation, the company acquired land admeasuring 48832 sq. meter with built up area of 11890 sq. meter inclusive of 3 factory sheds amenities and facilities and staff residential premises at Plot No. 401, 402, & 413 situated at Industrial Area, Sector III, Pithampur, Dist. Dhar (M.P.). The division has started its production. The installed production capacity of the unit will be 200000 Pumps & 200000 Motors per annum.

The company will expand tool room capacities and will develop dies and tools to support the proposed expanded capacity.

Installation of SAP Software

The company has installed the SAP accounting software to connect all manufacturing units and offices. It is expected, having installed SAP Accounting software optimum efficiency and productivity will be achieved which will make overall functioning smooth.

Subsidiaries

To expand the business and increase export the company set up two wholly owned subsidiaries in Turkey and Australia in the year 2006. We also plan to increase its direct presence in 10 more countries in coming years.

1. Shakti Pumps Tur Pompa San. Ve Dis Tic. Ltd. Sti. Exploiting the available business opportunities in the region, developing business contacts as well as distribution networking, and generating demand of submersible pumps for escalating the business of submersible pumps. The subsidiary is involved in trading activities of submersible pumps manufactured by the company.

2. Shakti Pumps (Australia) Pty Ltd. Brooklyn Vic—Exploiting the available business opportunities in the region, developing business contacts as well as distribution networking, and generating demand of submersible pumps for escalating the business of submersible pumps and involved in trading of submersible pumps manufactured by the company.

Long Term Resources

FCCBs

During May 2007, your company raised US\$6.5 million from the international market through the issue of Foreign Currency Convertible Bonds (FCCBs). The 1.50% coupon convertible bonds have a tenor of five years and are convertible into equity shares at an initial conversion price of Rs.180/-. The bonds are listed on the Singapore Stock Exchange. The proceeds of the issue are being utilized in expansion of manufacturing capabilities for stainless steel submersible pumps and to set up manufacturing facilities for stainless steel motors.

Issue of convertible Warrants

The company had issued 1500000 convertible warrants to promoters and a body corporate as on 12.12.2006 out of which 200000 warrants have been converted into equity shares of the company up to 30.06.2007. Remaining 1300000 convertible warrants are expected to be converted into equity within stipulated time period.



SHAKTI PUMPS (INDIA) LTD.

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The proceeds of convertible warrants and subsequent issue of equity shares are being utilized in setting up of new production units.

DIRECTORS :

Shri S.S. Raghuwanshi retires by rotation and being eligible, offer him self for re-appointment.

Shri Ramesh Patidar retires by rotation and being eligible, offer him self for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956 your Directors confirm that :

In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, the Directors have selected such accounting policies and applied them consistently and made judgments 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 financial year and of the profit of the company for that period, that the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities, the Directors have prepared the annual accounts on going concern basis.

PUBLIC DEPOSIT :

During the year under review, your company neither invited nor accepted any deposit under the provisions of Section 58-A of the Companies Act, 1956 and rules formed there under.

PERSONNEL :

No employee is in receipts of remuneration exceeding the limits set out under Section 217 (2A) of the Companies Act, 1956.

INSURANCE :

All insurable interests of the company including Inventory, Building, Plant and Machinery and others are adequately insured.

AUDITORS :

The Auditors M/s. Saklecha Gandhi, Chartered Accountants, Indore shall cease to hold office at the end of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

CORPORATE GOVERNANCE :

Your company has taken adequate steps to ensure that all mandatory provisions of "Corporate Governance" as provided in the Listing Agreement of the Stock Exchanges with the Company's shares are listed are duly complied with.

A Detailed report on Corporate Governance and a certificate from the Auditors of the Company regarding Compliance of conditions of Corporate Governance as required under Clause 49 of the Listing Agreement is attached to this report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

Information in accordance with the provisions of Section 217 (1)(c) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

INDUSTRIAL RELATIONS :

Industrial relations of the Company remained cordial during the year.



SHAKTI PUMPS (INDIA) LTD.

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ACKNOWLEDGEMENT :

We wish to acknowledge the understanding & support and the services of the workers, staff and executives of the Company, which have largely contributed to the efficient operations & management of the operations of the Company.

Your Directors also wish to place on record the valuable co-operation & support received from the Central Government, all the State Governments, Financial Institutions and Banks.

We would also like to express thanks to our Shareholders for their confidence and understanding.

For and On behalf of the Board of Directors

Pithampur Distt. Dhar (M.P.)
Dated : 29.10.2007

(M. L. PATIDAR)
Chairman

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SHAKTI PUMPS (INDIA) LTD.

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ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(i) (e) of the companies act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June 2007.

RESEARCH & DEVELOPMENT :

1. Specific areas in which R & D carried out by the company.	The in-house Research & Development activities resulted in the development of new products of the Company during the previous year. This also helps in improvement in existing models.
2. Benefits derived as a result	Better market coverage & new market development, cost reduction and energy saving.
3. Future plan on R& D	To develop new models and products
4. Expenditure on R & D Capital Recurring Total R& D expenditure as a Percentage of total turnover	Nil

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption	Technology developed by R & D department is fully absorbed for development in the existing product & new models.
2. Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution etc.	Increased efficiency and better performance and wider product range
(a) Technology imported (b) Year of Import Has technology been fully absorbed if no fully absorbed areas where this has not taken place reasons thereof and future plans of action	Not applicable

CONSERVATION OF ENERGY :

(a) Energy Conservation Measures taken	Maintained the power factor .95 to .97 by installing automatic capacitors operating system. Using inverter based welding transformer and condenser based projection welding machine and installation of energy meter.
(b) Additional measures proposed to be taken.	Replacing conventional machines by CNC and automatic machines. Designing of latest model fixtures to increase productivity.
© Impact of the measures (a) and (b) above for reduction of energy consumption consequent impact on the cost of production of goods	Reduction in the cost of production



SHAKTI PUMPS (INDIA) LTD.

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Total energy consumption and energy consumption per unit of production:

C. CONSERVATION OF ENERGY :

a) ELECTRICITY

Purchase Unit	Nos.	565094
Total Amount	Rs.	2745352.00
Rate/Unit	Rs.	4.86

b) OWN GENERATION FROM DIESEL GENERATOR

Purchase Unit	Nos.	3676
Total Amount	Rs.	14300.00
Rate/Unit	Rs.	3.89

c) CONSUMPTION PER UNIT OF PRODUCTION

Production	Nos.	41946
Per Unit	Rs.	65.79

D. FOREIGN EXCHANGE EARNING AND OUT GO :

Foreign exchange earned	: Rs. 3231.92 lacs
Expenditure in foreign currency	: Rs. 14.74 lacs

For and On behalf of the Board of Directors

(M. L. PATIDAR)
Chairman

Place : Pithampur
Date : 29.10.2007

MANAGEMENTS' DISCUSSION AND ANALYSIS REPORT

i) INDUSTRY STRUCTURE AND DEVELOPMENT

The industry is registering a good growth in the submersible pumps, the main product of the company. Several orders for supply of energy efficient submersible pumps are expected from various State Governments/ Government Agencies and from the customers of foreign countries.

Efforts are being taken for increasing awareness for energy efficiency through dealers net work.

ii) OPPORTUNITIES AND THREATS

There is significant change in the outlook compared to last year. The company with increased installed production capacity continues to enhance opportunities for growth by focusing in introduction of innovated upgraded existing products/ energy efficient submersible pumps. The company faces the normal threats, risks concerns, which are associated with competition from local and overseas manufacturers.

ii) SEGMENT WISE PERFORMANCE:

The company has only one segment namely Submersible Pumps.

iv) OUTLOOK

In current year the company is confident of growing much faster in comparison to economy & agriculture looking to the present level of response and orders and increased installed production capacity.

The Company's outlook on overseas markets and domestic market are positive on account of its strength on technology, cost, power saving.