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FARMER'S FRIEND.

Shakti Pumps (India) Ltd. | Annual Report 2007-08

FORWARD-LOOKING STATEMENT

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make/contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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A farmer's life is consumed in
managing variables. Hundreds of them.

Rain. Insects. Fertility. Yield. Disease.
Costs. Realisations. Temperature.

However, an increasing number of
farmers the world over are finding
stability in an unexpected product.

The 'Shakti' stainless steel
submersible pump.

ASSISTING FARMERS.
ENRICHING INCOMES.

SHAKTI PUMPS (INDIA) LTD.

THE FIVE THINGS YOU NEED TO KNOW ABOUT SHAKTI PUMPS' PRESENT.

One. We don't market pumps with the objective to draw water out of the earth. We market pumps to make farming more profitable.

Two. We are the only player in India's completely organised stainless steel submersible pump segment and the second largest stainless steel submersible pump manufacturer in the world.

Three. We are present in 56 countries.

Four. We have grown in every single of the last five successive quarters, leading to Q1 2008-09.

Five. We are number one in our space and our potential market in India is nearly 20 times our projected size.

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THE ONE THING YOU NEED TO KNOW ABOUT SHAKTI PUMP'S FUTURE.



We were a
USD 20-mn
company in
2007-08.

We intend to
emerge as a
USD 100-mn
company by
2009-10.

Report  junction.com



VISION

To be a USD 100-mn value-enhancing international company by 2010. This will be achieved by becoming a global industry leader among stainless steel submersible pump companies.

BACKGROUND

- ❑ Incorporated in 1982 by the Patidar family of Rao (Indore) to manufacture submersible pumps and electric control panels
- ❑ Went public with an issue of Rs. 500 lacs in 1995
- ❑ Promoters' stake of 49.65 percent as on 30th June 2008
- ❑ Team strength of over 400 employees as on 30th June 2008

BUSINESS

- ❑ Extended to the manufacture of stainless steel submersible pumps and motors in 1996
- ❑ Downstream applications in the agriculture sector
- ❑ Products marketed under the 'Shakti' brand name through a 150-dealer Indian network
- ❑ Growing use of the Company's products in the mining and construction industries and proposed entry in the fire fighting and sewage cleaning applications

Report

MILESTONES



1982-89

- ❑ Embarked on the manufacture of conventional cast iron pumps
- ❑ Received BIS certification

1995

- ❑ Made a public issue of shares, listed on the Bombay Stock Exchange

1996

- ❑ Embarked on the manufacture of stainless steel pumps
- ❑ Commenced exports

PRODUCTS

- Product basket comprises stainless steel submersible pumps and motors
- Successful manufacturer of pumps and motors (0.5-150 HP) in different sizes of 100-300 mm

PRESENCE

- Headquartered in Sector III of the Pithampur district, Madhya Pradesh
- Marketing offices in Kenya, Australia and Turkey
- Listed on the Bombay Stock Exchange (BSE) with a market cap of Rs. 6,596.27 lacs as on 30th June 2008
- Manufacturing units in the special economic zone (SEZ) and Sector III in Pithampur, Madhya Pradesh

NETWORK

- Products marketed through 150 distributors and dealers in 12 Indian states
- Products marketed in Turkey, Spain, U.S.A., the Netherlands, Germany, France, Italy and Australia, among others

CERTIFICATIONS

- Accredited with ISO 9001:2000 certification in 1998 (re-certified in 2003)
- Awarded the ISI mark by the Bureau of Indian Standards
- Awarded CE certification by the Bureau of Indian Standards in 2003



1998

- Exports grew to five countries.
- Certified by ISO 9001

2003

- Exports grew to 20 countries.
- Received CE certification
- Re-certified ISO 9001:2000

2006

- Received One Star Export House status; exports grew to 40 countries.
- Established a branch office in Australia and Turkey

2007

- Exports increased to more than 50 countries.
- Commenced capacity expansion with two new facilities
- Ventured into a new segment (booster pumps)

WHAT WE ACHIEVED IN 2007-08

EBITDA margin in 2007-08	2006-07	28 basis points above
13.94%		
Net margin in 2007-08	2006-07	58 basis points above
6.69%		
Interest cover in 2007-08	2006-07	2.73, in 2006-07
3.36		
ROCE in 2007-08	2006-07	90 basis points above
14.32%		



OPERATIONS

Increased the installed capacity of submersible pumps and motors to 300,000 from 200,000 in 2006-07

Widened the range (150 HP and 200 HP) of submersible pumps and motors

Developed booster submersible pumps that are used in applications where the low system pressure needs to be increased

Increased production from 40,130 units in 2006-07 to 114,654 units in 2007-08

MARKETING

Extended into new global geographies (Nigeria, Brazil and Morocco) and new Indian states (Haryana, Punjab and Maharashtra)

Added 125 dealers in 2007-08

PERFORMANCE IN NUMBERS

Revenue (Rs. lacs)

2005-06	4,106.84
2006-07	6,200.06
2007-08	10,437.27

EBIDTA (Rs. lacs)

2005-06	524.60
2006-07	871.95
2007-08	1,490.03

PAT (Rs. lacs)

2005-06	210.11
2006-07	390.36
2007-08	714.43

Cash profit (Rs. lacs)

2005-06	297.21
2006-07	776.72
2007-08	1,690.71

Earnings per share (Rs.)

2005-06	4.36
2006-07	7.77
2007-08	14.48

Book value per share (Rs.)

2005-06	23.14
2006-07	32.03
2007-08	54.55

SHAKTI PUMPS (INDIA) LTD.

Chairman and Managing Director's overview

SHAKTI AND THE STAINLESS STEEL SUBMERSIBLE PUMP.

RIGHT PLACE. RIGHT PRODUCT. RIGHT TIME.



Any overview of the prospects of Shakti Pumps must inevitably come down to the prospects of water.

On the face of it, the easy availability of water in a number of countries will gradually disappear. India is a fair case: despite high rainwater receipt, the mechanism of water capture, recharge and retrieval is inadequate. The result is that almost 80 percent of India's domestic water supply and 70 percent of its irrigation water is derived from ground sources. Even after 200 years of canal building, less than 15 percent of Indian farmlands benefit from canal irrigation. The rest is either rain-fed or supported by some 20 million farmer-owned irrigation wells.

If uncorrected, the scenario can get progressively grim for an important reason: a relatively low awareness of the need for water conservation, a young earning population, growing consumption, enhanced lifestyle standards and a correspondingly growing need for water. Experts indicate that by 2020, when India is supposed to enter the developed league, the total demand for water in the country will far exceed supply.

One response to this crisis would be to overdraw the existing ground water resources and serve existing needs. Even this solution, however short-sighted, appears to have run its due course. Consider this: the water table in India's four largest agricultural states has declined by nearly 130 feet. Even in fertile Punjab, the water table that used to be 18 to 24 feet some 30 years ago has declined to 150 feet below ground level. In New Delhi, the water table has dropped from 20 feet in 1975 to 75 feet. In Kolkata, which enjoys the advantage of

being proximate to the river and sea, the water table has declined from 15 feet to 55-60 feet in 30 years.

A simplistic solution would be an increasing use of high-configuration submersible pumps. At Shakti Pumps, we feel that while this would serve customers in the short run, the solution would by no means be sustainable. In our opinion, a sustainable future for submersible pumps manufacturers would be derived from a national policy that would encourage ground recharging coupled with irrigation. If India were to increase surface water use from the present 15 percent to 25 percent, most of the ground water depletion issues would simply disappear. While a higher water table would on the one hand reduce the configuration of pumps used, it would enrich thousands of hectares of land otherwise dismissed as barren and widen the market for pumps across the country.

Even as this widens the market for submersible pump manufacturers, Shakti Pumps stands to capitalise specially on the transition for an important reason. While it would be difficult to conceive that Indian farmers would have to start paying for their electricity – most tap into it free of charge – it is entirely plausible that an increasing number of governments will recommend the use of energy-efficient submersible pumps that limits their 'loss' and corresponding subsidy.

It is estimated that India's power sector loses as much as USD 9 billion annually for subsidising farmers' use of electric pumps, which is half of what the country spends on health and twice what it spends on education. When reform in this