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Shakti Pumps (India) Limited | Annual Report 2012-13



DISCLOSURE

The disclosures of forward-looking information contained in this annual report are made to enable investors to comprehend the prospects and make informed investment decisions. This report and other statements – written or oral – may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Maximum effort has been made to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

However, the entire realization of these forward looking statements cannot be guaranteed, although the assumptions have been prudent enough to rely upon. The achievement of results is subject to risks, uncertainties and unforeseen events. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. The management does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future event or otherwise.

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IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has undertaken a 'Green initiative in Corporate Governance' by allowing paperless compliances by companies and has issued circulars stating that service of notice/ documents including the annual report can be sent by e-mail to members. To support this green initiative of the Government of India, members who have not registered their e-mail addresses so far are requested to register their e-mail addresses in respect of their holdings in demat form through their concerned depository participants. Members who hold shares in

physical form are requested to fill in and forward the e-mail address registration form enclosed separately in this Annual Report to:

Adroit Corporate Services Pvt. Ltd
Unit: Shakti Pumps (India) Limited
19/20, Jaferbhoy Industrial Estate
1st Floor, Makwana Road, Marol Naka
Andheri (E), Mumbai – 400 059
Ph.: (022) 28594060, 28596060
Fax: (022) 28503748
Email: pratapp@adroitcorporate.com

LETTER TO SHAREHOLDERS

Dear Member,

You are cordially invited to attend the **Eighteenth** Annual General Meeting of the members to be held on Friday, 27th September, 2013 at 10.00 A.M. IST at the Registered Office of the Company at Plot No. 401, 402 & 413, Industrial Area, Sector-III, Pithampur-454775, Dist.-Dhar (M.P.) India.

The Notice for the meeting, containing the business to be transacted, is enclosed herewith.

Very truly yours,

Dinesh Patidar

Chairman and Managing Director

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of Shakti Pumps (India) Limited will be held on Friday, 27th September, 2013 at 10.00 A.M. at the Registered Office 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 31st March, 2013 and the Profit & Loss Account for the year ended on that along with the report of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2013.
3. To elect Director in place of Mr. S.S. Raghuwansi who

retires by rotations and being eligible offer himself for re-appointment.

4. To elect Director in place of Mr. Navin Patwa who retires by rotations and being eligible offer himself for re-appointment.
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 Board
For Shakti Pumps (India) Limited

Place: Pithampur
Date: 12th August, 2013

Dinesh Patidar
Managing Director

As Special Business

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the provisions of Sections 198, 269 & 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof and subject to such approval as may be necessary, salary of Mr. Ramesh Patidar, Executive Director of the Company be and is hereby increased from ₹1,10,000/- to ₹1,60,000/- per month with effect from 1.4.2013 for the remaining period of his tenure expiring on 16.10.2016 and other perquisite will remain the same.”

By Order of Board
For Shakti Pumps (India) Limited

Place: Pithampur
Date: 12th August, 2013

Dinesh Patidar
Managing Director

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 6

In view of recommendation of Remuneration Committee the Board of Directors in their meeting held on 12.08.2013 increased remuneration payable to Mr. Ramesh Patidar, Executive Director from ₹1,10,000/- to ₹1,60,000/- per month with effect from 01.04.2013, other terms of appointment remains the same.

None of the Directors except Mr. Ramesh Patidar is concerned or interested in the above resolution.

By Order of Board
For Shakti Pumps (India) Limited

Place: Pithampur
Date: 12th August, 2013

Dinesh Patidar
Managing Director

Notes

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| <ol style="list-style-type: none">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 21st September, 2013 to 27th September, 2013 (both days inclusive). | <ol style="list-style-type: none">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 the 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, in order to attend the meeting.6. All documents relevant to the business to be transacted at this meeting will be available for inspection at the |
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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 dematerialised as per the requirements of

SEBI, henceforth all the members are requested to get their shares dematerialised at the earliest.

9. The shareholders 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 Pvt. Ltd., 19, Jafarbhoy, Industrial Estate, 1st Floor, Makwana Road, Marol Naka, Andheri(E), Mumbai-400 059.

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

Name of Directors	Mr. S.S. Raghuwansi	Mr. Navin Patwa
Date of Birth	21st December, 1935	14th August, 1975
Expertise in specific functional areas	Completed major water supply projects-Indore, Ujjain, Gwalior and Jabalpur	Corporate Laws
Date of appointment	1st September, 2005	18th January, 2012
Qualification	B.E. (Hons) Civil Engineering	ACS, LL.B.
List of outside Directorship held in Public Company	Nil	1. Sam Capital Markets Limited 2. J G Industries Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Member of Audit Committee and Remuneration Committee	Chairman of Audit Committee and Member of Remuneration Committee
Chairman/Member of the Committee of the Board of Directors of other Companies	Nil	Nil

By Order of Board
For Shakti Pumps (India) Limited

Place: Pithampur
Date: 12th August, 2013

Dinesh Patidar
Managing Director

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31st March, 2013



To the members

We are delighted to present the report on our business and operations for the year ended March 31, 2013

1. Result of Our Operations

	(In Lakhs)	
	2011-12	2012-13
Gross Turnover	19305.81	21033.54
Operating Profit Before Interest, Depreciation and Tax	3195.36	3838.36
Interest and other Financial Charges (Net)	929.04	1218.46
Depreciation and Amortisation	405.15	500.53
Provision for Taxation	443.72	274.77
Net Profit	1417.45	1844.59
Add: Balance brought forward from the previous year	1417.45	1844.59
Profit Available for Appropriation		
Appropriations		
Proposed Dividend on Equity Shares	140.43	152.44
Tax on Proposed Dividend	22.78	24.28
General Reserve	1237.21	1667.87

2. Dividend

Based on Company's performance, the Directors are pleased to recommend for approval of the members a final dividend of Re.1/-per share for the financial year 2012-13. The final dividend, if approved by the members would involve a cash outflow of ₹176.72 Lakhs including dividend tax.

3. Company's Performance

During the financial year 2012-13, the global economic environment was on a slow growth path. During the year, your Company has registered a turnover ₹21033.54 Lakhs as compared ₹19305.81 Lakhs showing an increase of 9% over the previous year turnover. The export of the Company increased from ₹11125.61 Lakhs to ₹13822.43 Lakhs showing an increase of 24.23% over the previous year owing to enhanced production and better product/market penetration.

The Company earned profit before depreciation, interest and tax of ₹3838.36 Lakhs as against ₹3195.36 Lakhs in the previous year, showing a growth of 20%

4. Future Outlook

Despite only moderate growth in the global economy, we expect order intake and sales revenue to grow in coming years. In next three years we incline to achieve top line of ₹600 crore with the net margin of 9-10%. We have plans to register our presence in all BRICS, G20 and European Union and in other growing countries in coming years. Shakti is also committed to increase the Branch Network to 30 and Dealer network to 100 in coming two year. We assume in coming years, govt. focus will be on energy, conservation with star rated pumps and international focus on renewable energy products like solar pumps will drive our growth. Solar pumping solutions are the next big buzz in the sector as many state govt. with MNRE are coming up with solar pumping projects. With our strong R&D capabilities we are moving towards industrial pumps, solar pumps to target institutional and Govt. business. We have also plans to set up or acquire small plants in other region of the country so we can cater across regions in coming two years. Expansion of the standard business, continued development products and after sales service will be important priorities.

Innovation and R&D is the key of long sustainability, we have plans to launch many new products like high capacity solar pumps, enhance the range of booster pumps, upgraded open well pumps, and hydro pneumatic systems and update

products as per customer requirements. We are also in process to develop high quality energy conservative sewage pumps, slurry pumps, waste water pumps, hot water pumps etc.

5. Directors

Mr. Navin Patwa retires by rotation and being eligible, offer himself for re-appointment.

Mr. S.S. Raghuwansi retires by rotation and being eligible, offers himself for re-appointment.

6. Directors' Responsibility Statement

Pursuant to requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
2. That the Directors selected such accounting policies and applied them consistently and made judgments and estimates that were 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 2012-13.
3. That the Directors took proper and sufficient care to maintain adequate accounting records in accordance with provision of the Companies Act, 1956 for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities.
4. That the Directors prepared the Annual Accounts on a going concern basis.

7. Human Resource Development

SHAKTI draws its strength from a highly engaged and motivated workforce, whose collective passion and commitment has helped the organisation scale new heights. Our employees are the most valuable assets of the Company. We encourage innovation, meritocracy and the pursuit of excellence.

8. Shakti Foundation

We established the Shakti Foundation in November, 2012, as a non-profit trust to support our social initiatives. The foundation supports programs and organisation devoted to the welfare of the destitute, rural poor, and economically disadvantaged section of the society.



We express our gratitude to the honorary trustees of the Foundation for contributing their valuable time and energy to its activities.

9. Awards/Recognitions

During the year, the Company received various awards and recognitions, some of which are given below:

- ▶ Awarded "2012 EPC Outstanding Pump Company award"
- ▶ Awarded "Best SEZ Exporter" & Second Runner-up for the category "Best Manufacturer-Exporter (Medium) –'ECGC- D&B Indian Exporters' Excellence Awards 2012' by ECGC- D&B.
- ▶ Awarded "POWER BRANDS RISING STATR-2013" at Las Vegas by Glam me awards Planman Consulting.

10. Internal Control System

The Company has a well placed, proper and adequate internal control system, which ensures that all assets are safeguarded and protected and that the transactions are authorised, recorded and reported correctly.

11. Fixed Deposits

The Company did not accept any public deposit and, as such, no amount on account or principal or interest on public deposits was outstanding as on the date of the balance sheet.

12. Particulars of employees

No employee was in receipts of remuneration exceeding the limits set out under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

13. Insurance

All insurable interests of the Company including inventory, building, plant and machinery and others are adequately insured.

14. Auditors

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

15. Cost Audit

The Report of M/s Mihir Turkhia & Associate, Cost Accountant, relating to Pumps and Motors for the year ended 31st March, 2013 will be submitted to the Central Government in due course.

16. Secretarial Audit Report

As a measure of good Corporate Governance practice the Board of Directors appointed Mr. Manish Maheshwari, Practicing Company Secretary, to conduct the Secretarial Audit. The Secretarial Audit Report for the financial year ended March 31, 2013 is provided in the Annual Report.

17. Corporate Governance Report and Management Discussion and Analysis Statement.

The Company is committed to maintained the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI.

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis Statement.

18. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1) (e) of the Act, read with the Companies (Disclosure of Particulars in the Annexure to this Report)

19. Acknowledgement

The Directors thank the Company's customers, vendors, investors, business associates, banker's, academic institutions for their support to the Company.

The Directors also thank Government of India, the Government of various countries, the concerned State Governments, Government departments and Government agencies for their co-operation.

The Directors also wish to place on record their deep sense of appreciation for the committed services by the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

Place: Pithampur

Date: 12th August, 2013

Dinesh Patidar

Chairman and Managing Director

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.	Benefit derived as a result	Better market coverage and 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	₹2.19 Crores

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 and new models.
2.	Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development and import substitution, among others.	Increased efficiency and better performance and wider product range
	(a) Technology imported	Nil
	(b) Year of import	Not applicable
	(c) Has technology been fully absorbed	Not applicable
	(d) 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 0.97 .to 0.99 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.
(c)	Impact of 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

MANAGEMENT DISCUSSION AND ANALYSIS



Overview

The financial statements have been prepared in compliance with the requirements of Companies Act, 1956 and the Generally Accepted Accounting Principles (GAAP) in India. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect a true and fair picture of the Company.

Industry Structure and Development

The Indian pump industry is estimated to be ₹8000 crores in 2012-13. It is likely to grow at 8% and expected to reach ₹18000 crores by 2017-18. The market demand is driven by infrastructure based spending, urbanisation, growth in manufacturing activity, refurbishment & upgradation and overall increase in the population, insufficient rains and falling water tables have led to demand for improvement in hydraulics and pump efficiency.

The rising cost of oil has positively influenced the demand for energy conservative pumps and pumps driven by renewable energy sources. There will be strong demand for pumps from developing countries like China and India due to industrialisation and investment in water and power segments. The developed

nations propose to repair and upgrade their old water infrastructure. This will lead to good replacement demand for pumps in developed countries.

Opportunities and Threats

Infrastructure developments in BRIC countries, urbanisation in Asia Pacific countries resulted in more demand on power and fuel that would considerably contribute for growth in pump & valves Industry. The shift in demand for pumps in India from unorganised sector to organised sector is happening faster.

- ▶ Most Governments are insisting on the use of Star-rated pumps wherever it is subsidising their purchase on account of higher energy efficiency.
- ▶ With labour getting scare and expensive, there is a greater preference among agriculturist to work with branded models that promise a higher uptime, circumventing the need to invest in submersible pump extraction, repair or replacement.

The result is that the market share of the country's unorganised sector has steadily declined from 95% to 80%; the performance of the organised sector growth over the unorganised provides the industry optimism. The water management infrastructure