

51st Annual Report - 2010



Glimpses of the grand celebration of "Celebrating 50 years of KSB in India" at Pune



Dr. Schmitt presenting a "Pokal" to Mr. Spiegel



Mr. G. Swarup inaugurated the Image Book of KSB India and presented the first copy to Mr. Kuehborth

During the function dignitaries addressed the gathering



1. Mr. K. Kuehborth, Managing Director (Klein Pumpen GmbH)
2. Dr. W. Schmitt, Chairman (Board of Management, KSB AG)
3. Mr. G. Swarup, Chairman (KSB Pumps Ltd., India)
4. Mr. W. Spiegel, Managing Director (KSB Pumps Ltd., India)
5. Dr. A. Lee, Regional President - Asia Pacific
6. Mr. C. V. Saha, Managing Director (KSB Valves (Shanghai) Co. Ltd.)



Project - Vayu Valve



On 12th June 2010, the prototype Gate Valve of size 450 mm (18") Class 2500 was successfully tested at 660 bar pressure. With this both Check & Gate valves development and testing has been successfully completed.

This product development is joint exercise between Coimbatore, Chinchwad divisions and KSB Tech Pvt. Ltd. Team members from these divisions have put in lot of efforts in it's design, manufacturing, assembly & testing for one & half years.

	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 : 7th April, 2011
 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 & 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, 2010.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs. in Million	
	Year ended 31.12.2010	Year ended 31.12.2009
Sales (net) & Other Income	6269.6	5753.0
Profit before taxation	742.4	1007.7
Less: Provision for taxation		
Current	254.0	350.0
Deferred	(27.3)	(9.0)
Fringe Benefit Tax	0	2.4
	226.7	343.4
Profit after tax	515.7	664.3
Adjustment of tax of earlier years	(0.01)	(2.5)
Profit for appropriation	515.6	661.8
Appropriation:		
Dividend	174.0	217.5
Tax on Dividend	28.2	37.0
General Reserve	55.0	70.0
Profit & Loss Account	258.4	337.3
	515.6	661.8

(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 8 per share of Rs 10 each (80%) making a total of Rs 10 per share of Rs 10 each (100%) 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. As reported last year, 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.

Global crisis continued to affect the exports which further declined during the year from Rs. 782 mio. to Rs 633 mio.

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

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

(ii) The Board of Directors have declared issue of 1,74,03,922 bonus shares in the proportion of one new Equity share for every one existing Equity share. This is subject to approval of members, stock exchanges where the shares of the Company are listed and such other approvals as may be necessary.

(iii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2010, 3 depositors (Rs.30,000) had not claimed their deposits on the due dates.

BOARD'S REPORT (Contd.)

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

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of Rs.30,829 being unclaimed fixed deposits and interest and, an amount of Rs.175,783 being unclaimed dividends upto the year 31.12.2003, were transferred to the Investor Education & Protection Fund established by the Central Government.

- (v) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2010 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 16.4 mio (previous year Rs. 14.2 mio.) for business upto the date, are attached.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs 279.1 mio for the year ended 31st December, 2010 (previous year Rs. 208.7 mio) .

- (vi) Management Discussion and Analysis Report:

Annexed to this Report

- (vii) Corporate Governance:

Annexed to this Report

- (viii) 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. Augus Lee and Mr. W. Spiegel retire by rotation and are eligible for re-appointment.

Mr. Pradip Shah was appointed as a Director on 21st June, 2008 to fill the casual vacancy caused by the resignation of Mr. M. Swarup and he retires by rotation at the ensuing annual general meeting u/s 262 of the Companies Act, 1956.

The Company has received a notice in writing from a member proposing his candidature for appointment of Director u/s 257 of the Companies Act, 1956.

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 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 has a well developed Environment Management System (EMS) which is committed to achieving 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. The construction of new Effluent Treatment plant at Pimpri factory is at advanced stage. Energy and safety audits are carried on continuous basis not only at the Company's factories but also its suppliers.

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

During the year the Company has contributed Rs 6.61 mio. (previous year Rs 5.0 mio.) to KSB Care Charitable Trust. The trust has started a project of supporting a school near the 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(1-B) of the Companies Act, 1956.

On behalf of the Board of Directors

G. SWARUP
CHAIRMAN

Mumbai, 24th February, 2011

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 2010 began with optimism of sustained economic growth as a result of recovery in the global economy in the fourth quarter of 2009. The projections for global output for 2010 suggested consolidate recovery, led by the Emerging Market Economies (EMEs). However, risk of large public debt in advanced economies, high unemployment rates, impaired financial systems and premature exit from the policy stimulus forced concern for reduction in output.

For India the improvement in global macro economic conditions is reflected in the turn around in India's exports and return of capital inflows. The stronger recovery in EMEs driven largely by the domestic demand, improvement in exports and return of capital inflow forced high risk of inflation.

Output growth in 2010-11 is expected to be higher than in 2009-10. However, sluggish private consumption, fragile global recovery and exit from fiscal stimulus and growth supporting monetary policy would have impact on the growth process.

Industrial production had registered double digit growth for the first straight eight months of 2010. But declined to single digit in subsequent two months. Some core sector industries showed negative growth. However, overall growth is expected to be 8.5% as per estimate of Reserve Bank of India.

The benefits of growth have been affected by inflationary trend both in food and non-food items. In the advanced economy recovery has been affected by uncertainty in Euro area such as crisis in Greece. Inflation has edged up in major advanced economies and many EMEs have been

facing strong inflationary pressure. India is not an exception. Most of the macro economic measures of Reserve Bank of India and Government of India have been directed towards containing inflation within tolerable limit.

Recent crisis in Egypt and other oil producing Arab countries is likely to have impact on crude oil prices and consequently fuel the global inflation.

Like in past Indian economy continues to face challenges of upgrading infrastructure, promoting growth of industrial sector, containing deficit, promoting exports amidst global recession and overall containing inflation.

2.2 Pumps & Valves Industries

The pumps and valves industries in India are very important especially in the light of growth in oil and energy sectors and water supply and sewage. Growth of these industries was quite satisfactory in the last few decades on account of high domestic requirements and restrictions on imports.

The scenario has changed with the globalization in the country where there are large and medium scale manufacturers and thousands of small scale manufacturers. After globalization the entry of foreign manufacturers has changed the equation. The competition has become severe. After financial turmoil and recession in advanced countries from 2007-08, foreign players have been looking for entry into Indian domestic market. With their aggressive price strategy Indian manufacturers' margins have been severely affected. The situation has been further aggravated by cost push inflation.

The project business of oil, energy and water and sewage has witnessed significant drop in the margins of domestic manufacturers. Though there is a growth in the business, domestic inflation and uncertainty of recovery in global market will affect profitability of the domestic manufacturers.

3.0 OPPORTUNITIES AND THREATS

With India's ever growing requirements of energy and capacity addition planned by

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

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, 143674 nos. pumps (previous year 121398 nos.) were sold representing sales value of Rs.4352 mio. (previous year Rs. 4210 mio.). Pumps manufactured were 152793(nos.).

During the year 131966 nos. valves (previous year 98727 nos.) were sold representing a sales value of Rs.1011 mio. (previous year Rs. 839 mio.). 143655 (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.782 mio. to Rs.633 mio. Earnings in agency commission increased from Rs.16.5 mio. to Rs.61.6 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 2011 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

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 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

Inspite of lower profits the Company has not faced liquidity problem which is evident from increase in cash and bank balance coupled with reduction in the interest cost. 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.

- 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

On the backdrop of economic slow down in 2009, the Indian job market has opened up during the course of this year and new opportunities are getting created across various levels of Management due to expansion and entry of new players. Even though, there was no addition in the Headcount, attracting talent continued to be a major challenge for the Company in 2010.

Learning and Development continued to be the focused area in 2010 for developing the competence of the employees. Apart from Management Development Programmes, the Company continued its efforts in competence building through structured Learning and Development initiatives; focusing more on functional and technical competence development. The Company has won the award for Leading HR Practices in "Learning and Human Capital Development" under the organizational category for the year 2010. The award was jointly hosted by Shine.com and Hindustan Times under the theme of HR Leadership Awards - Felicitating Meritorious Contributions in the HR Domain.

Competition is very aggressive in the market on hiring front and hiring prospects look strong in 2011. Therefore attracting and retaining talent will continue to be the main challenges for the Company. At the same time, job enrichment, career growth opportunities, learning new skills will be the areas on which HR need to focus in the upcoming year.

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, 24th February, 2011

DISTRIBUTION OF INCOME

	Year ended 31.12.2010		Rs. in million Year ended 31.12.2009	
	Rs.	%	Rs.	%
1 Raw Materials/Bought-out Components Consumed	3022	48.21	2554	44.39
2 Employee Cost	918	14.64	798	13.87
3 Administrative, Sales & Other Expenses	1375	21.93	1174	20.41
4 Interest	5	0.08	18	0.31
5 Depreciation	207	3.30	204	3.55
6 Taxation				
Current	254	4.05	350	6.08
Deferred	(27)	(0.43)	(9)	(0.16)
Fringe Benefits	0	0.00	2	0.03
On Dividend	28	0.45	37	0.64
7 Dividend	174	2.78	218	3.79
8 Retained Earnings	313	4.99	407	7.07
TOTAL	6269	100.00	5753	100.00

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL POSITION AT A GLANCE

	Year ended 31.12.2010	Rs. in million Year ended 31.12.2009
CAPITAL		
ASSETS OWNED		
1. Fixed Assets (net)	1600	1579
2. Investments	64	64
3. Current Assets (Net)	2059	1732
4. Deferred Tax Balance	47	20
TOTAL	3770	3395
FINANCED BY		
1. Loans	137	75
2. Net Worth*	3633	3320
TOTAL	3770	3395
*Represented by		
Share Capital	174	174
Reserves (Net)	3459	3146
TOTAL	3633	3320
INCOME EARNED		
1. Sales of Products and Services	6085	5644
2. Other Income	184	109
TOTAL	6269	5753
INCOME DISTRIBUTED		
1. Materials Consumed	3022	2554
2. Employee Cost	918	798
3. Expenses	1375	1174
4. Interest	5	18
5. Depreciation	207	204
6. Taxation		
Current	254	350
Deferred	(27)	(9)
Fringe Benefit	—	2
On Dividend	28	37
7. Dividend	174	218
8. Retained Income	313	407
TOTAL	6269	5753

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL SUMMARY

	2010	2009	2008	2007	2006
CAPITAL ACCOUNTS (Rs. in million)					
Liabilities					
Share Capital	174	174	174	174	174
Reserves & Surplus	3459	3146	2739	2203	1844
Borrowings	137	75	313	251	110
Assets					
Gross Block	3095	2645	2314	1954	1661
Net Block	1600	1579	1397	898	686
Investments	64	64	64	71	78
Net Current Assets	2059	1732	1754	1649	1364
Deferred Tax Assets	47	20	11	10	—
REVENUE ACCOUNTS (Rs. in million)					
Sales and Other Income	6269	5753	6065	4762	4121
Gross Profit before interest and depreciation	954	1230	1139	795	885
Interest	5	18	23	6	10
Depreciation	207	204	130	110	88
Profit before tax	742	1008	986	679	787
Profit after tax	515	665	638	460	517
Tax on Dividend	28	37	16	16	15
Dividend amount	174	218	96	96	96
Retained earnings	313	407	535	359	395
SELECTED INDICATORS					
Return on Capital Employed %	19.81	30.22	31.29	26.07	37.45
Current Ratio	1.89	1.88	1.95	2.04	2.04
Earnings per share	29.63	38.03	37.19	27.05	29.04
Debt equity ratio	0.04	0.02	0.11	0.11	0.05
Book value per share	208.76	190.75	167.36	136.59	115.96
Dividend %	100	125	55	55	55
Fixed Assets Turnover	3.92	3.64	4.34	5.30	6.01

REPORT ON CORPORATE GOVERNANCE

ANNEXURE TO BOARD'S REPORT

A. MANDATORY REQUIREMENTS

1. Company's philosophy of Corporate Governance

The Company aims at conducting its business efficiently, by following professionally acknowledged good governance policies, thus meeting its obligations to all stakeholders in a balanced and accountable manner.

2. Board of Directors

(a) Composition

The Board of Directors comprises of eight directors, of whom one is managing director. The office of Managing Director is held by a nominee of Canadian Kay Pump Ltd., the Company's main shareholder.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM):

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM
Mr. G. Swarup	Chairman – NED	6	Yes
Mr. A.R. Broacha	NED – I	6	Yes
Mr. D.N. Damania	NED – I	6	Yes
Mr. N.N. Kampani	NED – I	6	Yes
Dr. Augus Lee	NED	5	Yes
Dr. Wolfgang Schmitt	NED	2	No
Mr. Pradip Shah	NED – I	5	Yes
Mr. W. Spiegel	Managing Director – ED	6	Yes

ED – executive director

NED- I – non-executive director - independent

Note:- The Company has disclosed to the Stock Exchanges in the “Quarterly Compliance Report on Corporate Governance” on compliance in regard to composition of Board of Directors.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- (c) Number of other Companies or Committees the Director of the Company is a Director/ Member/ Chairman: -

Name of the Director	No. of Directorships in other Boards *	No. of Memberships in other Board Committees #	No. of Chairmanships in other Board Committees #
Mr. G. Swarup	17	Nil	Nil
Mr. A.R. Broacha	2	Nil	Nil
Mr. D.N. Damania	8	3	NIL
Mr. N.N. Kampani	11	2	1
Dr. Augus Lee	17	Nil	Nil
Dr. Wolfgang Schmitt	8	Nil	Nil
Mr. Pradip Shah	21	6	2
Mr. W. Spiegel	9	Nil	Nil

* Directorships in Foreign Companies and Private Limited Companies are included in the above table.

Memberships in Committees other than Audit Committee / Shareholder Grievance Committee of public limited companies and all Committees of private limited/foreign companies are excluded in the above table.

- (d) Details of Board Meetings held during the year under review: -

Sr. No.	Date
1.	21.01.2010
2.	12.03.2010
3.	29.04.2010
4.	30.07.2010
5.	22.10.2010
6.	16.12.2010

3. Audit Committee

- i. Terms of Reference:

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Agreement and the Companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE (Contd.)

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings attended
Mr. N.N. Kampani, Chairman	6
Mr. D.N. Damania	6
Mr. G. Swarup	6
Dr. Augus Lee	5
Mr. A.R. Broacha	6

iii. Details of Audit Committee Meetings held during the year under review:

Sr. No.	Date
1.	21.01.2010
2.	12.03.2010
3.	29.04.2010
4.	30.07.2010
5.	22.10.2010
6.	16.12.2010

Managing Director, Chief Financial Officer, Internal Auditors and Statutory Auditors are invitees to the meeting. The Company Secretary of the Company acts as the secretary to the Committee.

4. Remuneration of Directors

The remuneration payable to the executive directors is approved by the members at the general meeting of the Company. Remuneration of executive directors consists of a fixed salary, perquisites, performance linked bonus, based on the individual and the Company's performance, and Commission based on net profits of the Company subject to a ceiling of 50% of the annual salary. The Board of Directors determine the performance linked bonus from year to year.

(a) Details of remuneration paid to the executive director for the year under review: -

Rs. in 000's

Name of the Director	Salary	Commission	Performance linked bonus	Perquisites and Contribution to Provident Fund	Terms of appointment
Mr. W. Spiegel	1620	810	-	1125	5 years, from 01.01.2007 to 31.12.2011

Notes:

- Above excludes contribution for gratuity, superannuation and personal accident insurance premium and the liability for encashable leave as the figures for the Director is not separately available.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- ii. The Company does not have a stock option scheme.
- iii. There is no notice period for severance of the executive director and no severance fees are payable to the director.
- (b) The Board of Directors decide the remuneration of non-executive directors which consists of a sitting fee as well as commission based on the net profits of the Company. As approved by the members commission amount is limited to 1% of the net profits of the Company or Rs.25,00,000 whichever is less for all the Directors (excluding the Managing Director).

Payments made for the period 1.1.2010 to 31.12.2010 are as under:

Rs. in 000's

Name of the Directors	Directors' Fees	Commission
Mr. G. Swarup	65	350
Mr. A.R. Broacha	65	350
Mr. D.N. Damania	60	350
Mr. N.N. Kampani	60	350
Dr. Augus Lee	50	350
Mr. Pradip Shah	50	350
Dr. Wolfgang Schmitt	20	350

5. Shareholders'/ Investors' Grievance Committee

i. Composition

Members of the Committee are: -

- a. Mr. A.R. Broacha, Chairman (Non-Executive Director)
- b. Mr. G. Swarup
- c. Mr. W. Spiegel

The meeting of the Committee was held on 22nd October, 2010 which was attended by the then available members.

ii. Compliance Officer

Mr. M.A. Mehta, Company Secretary

iv. Complaints

31 complaints were received during the year under review. All the complaints have been solved to the satisfaction of the shareholders. There were no pending transfers as on 31st December, 2010.

REPORT ON CORPORATE GOVERNANCE (Contd.)

6. General Body meetings

- (i) Location and time where last three Annual General Meetings were held:

Financial Year	Date	Time	Venue
2007	06.05.2008	2.30 p.m.	Bajaj Bhavan, Mumbai
2008	21.04.2009	2.30 p.m.	Bajaj Bhavan, Mumbai
2009	29.04.2010	2.00 p.m.	Bajaj Bhavan, Mumbai

- (ii) Special Resolution passed in the previous three Annual General Meetings

Financial Year	Special Resolution Passed
2007	Yes
2008	No
2009	No

- (iii) Postal Ballot

No resolution was required to be passed by means of a postal ballot during the last year.

7. Disclosures

- i. Details of shareholdings of Non-Executive Directors and dividend paid thereon:

Name of the Directors	No. of shares held	Dividend paid (Rs.)
Mr. Gaurav Swarup	17000	212500
Mr. A.R. Broacha	14600*	179350
Mr. D.N. Damania	1600	20000

* 14300 – Final Dividend, 31.12.2009

* 14600 – Interim Dividend, 31.12.2010

- ii. An amount of Rs.4,42,850 towards legal and professional services rendered has been paid to A.R. Broacha & Co. in which a non-executive director is a Proprietor.

- iii. Related party transactions

Normal trade transactions, Sole Selling Agency Agreement for exports and License and Technical Collaboration Agreements are being entered into with KSB AG, Germany and other group companies from time to time. Further, remuneration is paid to directors, dividend is paid on shares held by directors, etc. Full disclosures on related party transactions, as per the Accounting Standard 18 issued by the Institute of Chartered Accountants of India, is given under Note 18, Schedule 19 of the Annual Accounts.

- iv. Details of non-compliance, penalties and strictures imposed on the Company by the Stock Exchanges/SEBI/Statutory Authorities on matters relating to capital markets during the last three years.

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last three years.

REPORT ON CORPORATE GOVERNANCE (Contd.)

v. Disclosure of Accounting Treatment

The financial statement of the Company is prepared in accordance with the Accounting Standard.

vi. Board Disclosures - Risk Management

The Company has laid down procedures and informed the Board Members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

8. Means of Communication

i. Quarterly Results	Yes, published in the Newspapers every quarter
Newspapers wherein results normally published	i. The Economic Times ii. Maharashtra Times
iii. Any website, where results are displayed	www.ksbindia.co.in
iv. Whether it also displays official news releases	Yes
v. The presentations made to Institutional Investors or to the Analysts	No presentation has been made to Institutional Investors or to the Analysts

9. General Shareholder Information

AGM: Date, Time and Venue	7th April, 2011 at 2.00 p.m. at Bajaj Bhavan, Ground Floor (Kamalnayan Bajaj Hall), 226, Nariman Point, Mumbai 400 021
Financial Year	The financial year under review covers the period 1 st January, 2010 to 31 st December, 2010. The next financial year would be the calendar year 2011.
Date of Book Closure	10 th March, 2011 to 11 th March, 2011 (both days inclusive)
Dividend Payment date	21 st April, 2011 onwards
Listing on Stock Exchanges	1. Bombay Stock Exchange Limited, Mumbai 2. National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1 st April 2010 to 31 st March 2011.
Stock Code	1. 500249 on Bombay Stock Exchange Limited 2. KSB PUMPS – National Stock Exchange of India Limited 3. ISIN Number for NSDL & CDSL -INE/999A01015

REPORT ON CORPORATE GOVERNANCE (Contd.)

Market Price Data: High, Low during each month in last Financial year	Please see Annexure 'A'
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.	The performance of the Company's share relative to the BSE sensitive index is given in Annexure 'B'
Registrar and Transfer Agents	Link Intime India Pvt. Ltd.
Share Transfer System	All the transfers received are processed by the Registrar and Transfer Agent. To facilitate prompt services to the shareholders, the Company Secretary is authorised to approve transfers not exceeding 300 shares per folio per occasion. These are processed on a fortnightly basis. Transmission, consolidation, sub-division of shares and issue of duplicate share certificates are approved by the Share Transfer Committee/ Board of Directors.
Distribution of Shareholding and Shareholding pattern as on 31.12.2010	Please see Annexure 'C'
Dematerialisation of shares and liquidity	57.80 % of the Paid-up Capital has been dematerialised as on 31.12.2010. 40.54% of the Paid-up Capital held by Canadian Kay Pump Limited has not been dematerialised
Outstanding GDRs/ADRs/ Warrants or any Convertible instruments conversion date and likely impact on equity	Not issued
Plant Locations	The Company's plants are located at Pimpri, Chinchwad, Vambori, Coimbatore and Nashik
Address for correspondence	Shareholders should address correspondence to: Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (W) Mumbai 400 078 Phone 022-25946970 Email rnt.helpdesk@linkintime.co.in

REPORT ON CORPORATE GOVERNANCE (Contd.)

A. NON-MANDATORY REQUIREMENTS

a. Chairman of the Board – Re : Non-executive Chairman-Maintenance of office at Company's expense

The Company has non-executive Chairman.

b. Tenure of Independent Directors

Under review

c. Re : Remuneration Committee

The Company has decided not to proceed with formation of Remuneration Committee at this stage.

d. Shareholders' Rights – Re : half yearly results

In due course it is proposed to introduce.

e. Audit Qualifications

The financial statements of the Company are unqualified.

f. Training of Board Members

g. Mechanism for evaluating non-executive Board members

The members of the Board are professionals having extensive experience in their fields and contribute substantially towards decision making process. Therefore, these non-mandatory requirements are not considered necessary.

h. Whistle Blower Policy

Whistle Blower policy is not adopted by the company

On behalf of the Board of Directors

G. SWARUP
Chairman

Mumbai, 24th February, 2011

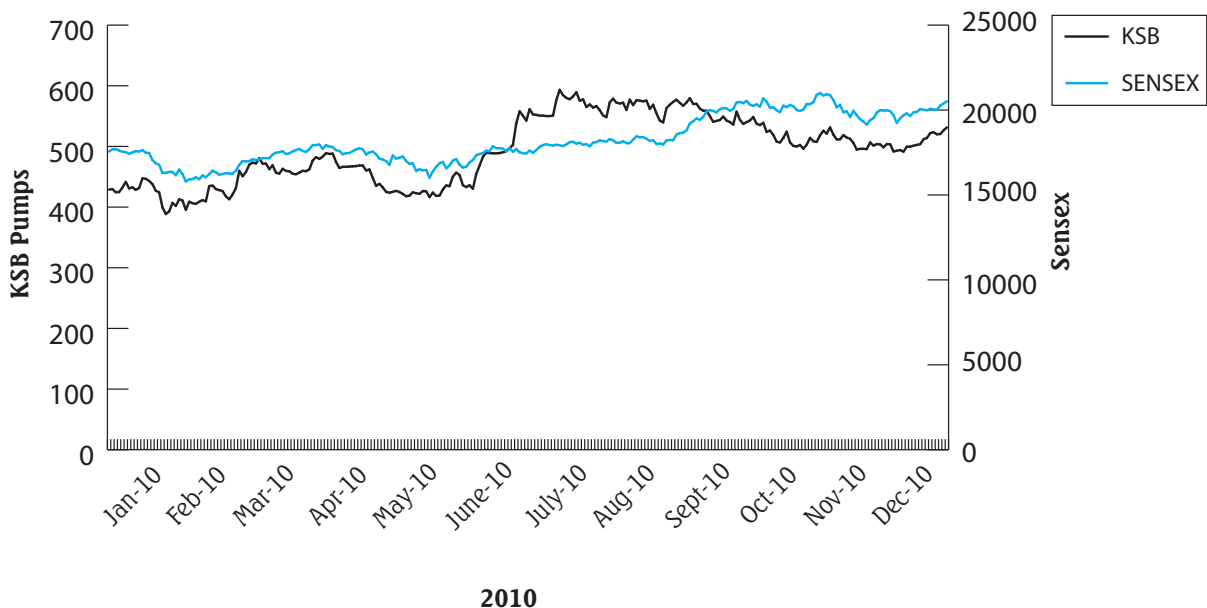
REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE A

Price and volume of shares traded

Month/Year	Bombay Stock Exchange Ltd,			National Stock Exchange of India Ltd.		
	High (Rs.)	Low (Rs.)	Volume traded	High (Rs.)	Low (Rs.)	Volume traded
Jan,10	465.00	365.00	176267	461.00	380.00	231266
Feb,10	443.00	385.00	54184	445.00	371.00	77915
March,10	498.60	418.00	215465	498.40	431.10	268571
April,10	496.00	446.35	82826	497.50	447.50	131614
May,10	451.35	410.05	417244	449.00	411.10	203981
June,10	557.70	422.30	290628	558.90	427.00	383664
July,10	607.50	506.60	352386	608.00	532.15	453517
August,10	610.00	527.70	94846	608.00	522.30	116138
Sept,10	592.00	527.35	60822	619.00	520.00	62284
Oct,10	563.00	493.60	66821	600.00	491.35	67599
Nov,10	540.00	460.00	122337	574.00	457.05	70332
Dec,10	536.00	470.00	44182	549.95	455.05	46318

ANNEXURE B



REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE C

Distribution of shareholding as on 31st December, 2010

Number of shares held	Members		Shares	
	Number	%	Number	%
1-500	9058	87.85	939418	5.40
501-1000	752	7.29	566500	3.26
1001-2000	303	2.94	414257	2.38
2001-3000	82	0.80	200527	1.15
3001-4000	35	0.34	126720	0.73
4001-5000	17	0.16	78986	0.45
5001-10000	28	0.27	210620	1.21
10001 and above	36	0.35	14866894	85.42
TOTAL	10311	100.00	17403922	100.00

Shareholding pattern as on 31st December, 2010

Category	No. of Members	No. of Shares held	% to the Capital
Indian Promoters	11	4570205	26.26
Foreign Promoters	1	7055424	40.54
Mutual Funds & UTI	8	1743920	10.02
Banks, Financial Institutions and Insurance Companies	5	1195	0.01
Foreign Institutional Investors	11	120297	0.69
Private Corporate Bodies	281	1348854	7.75
Indian Public	9719	2417099	13.88
Foreign Nationals/NRIs	275	146928	0.85
Total	10311	17403922	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
KSB Pumps Limited

We have examined the compliance with conditions of Corporate Governance by KSB Pumps Ltd., for the year ended on 31st December, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance with conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

Based on the representation received from the Company and certified by the Registrars and Transfer Agents of the Company, no investor grievance is pending for a period exceeding one month as on 31st December, 2010 against the Company and the Registrars and Transfer Agents have reported to the Shareholders/Investors Grievances Committee on the status of the grievances.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Nilesh Shah & Associates
Company Secretaries

(Nilesh Shah)
Partner

Mumbai, 24th February, 2011

(FCS - 4554) C.P.No: 2631

DISCLOSURE/DECLARATION UNDER LISTING AGREEMENT

A. DISCLOSURE UNDER CLAUSE 32

Sr. No.	Disclosure of loans / advances / investments Outstanding during the year	As at 31 st December, 2010 Rs.	Maximum amount during the year Rs.
1.	Loans and advances in the nature of loans to subsidiary	NIL	NIL
2.	Loans and advances in the nature of loans to associate	NIL	NIL
3.	Loans and advances in the nature of loans where there is		
	a. No repayment schedule or repayment beyond seven years of the Companies Act, 1956		
	b. No interest or interest below sec. 372A of the Companies Act, 1956	NIL	NIL
4.	Loans and advances in the nature of loans to firms/companies in which directors are interested	NIL	NIL

B. DECLARATION UNDER CLAUSE 49

All Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2010.

Mumbai, 24th February, 2011

W. Spiegel
Managing Director

ANNEXURE TO BOARD'S REPORT

Statement pursuant to section 212 of the Companies Act, 1956 relating to Subsidiary Company Pofran Sales & Agency Ltd.

- (A) The financial year of the Subsidiary Company Year ended 31st December, 2010
- (B) (a) Number of shares held by KSB Pumps Limited 5,000 Equity shares of Rs. 100 each
in Subsidiary Company
- (b) Extent of holding 100.00%
- (C) The net aggregate of Profits / (Losses) of the Subsidiary Company so far it concerns the members of KSB Pumps Limited
- (a) not dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2010 amounted to -
- (i) for the subsidiary's financial year ended as in (A) above Rs.108.90 lakhs
- (ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary Rs.205.04 lakhs
- (b) dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2010 amounted to -
- (i) for the subsidiary's financial year ended as in (A) above -
- (ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary Rs.100.00 lakhs

G.Swarup Chairman
A.R. Broacha } Directors
D.N.Damania }
W. Spiegel Managing Director

Mumbai, 24th February, 2011 M.A. Mehta
Company Secretary

Information pursuant to Section 217 (2A)(b)(ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Name	Age Years	Qualifications	Designation/Nature of Duties/ Commencement of Employment and Experience (Years)	Remuneration Received Amount (Rs.)	Name of Previous Employer, Post held
(a) Employed throughout the year					
Alekar P.S.	52	B.E. (Mech.), D.B.M.	General Manager - Quality Management	01.09.2003 31 2,592,467	FIAT India Ltd. Assistant General Manager
Dikshit S. D.	62	B.Tech, MBA	Director - Marketing & Sales	01.11.1999 39 5,911,873	Sulzer Pumps India Ltd., Vice President - Sales & Marketing
Joshi P.S.	57	B.E. (Prod)	General Manager - Dealer Business	24.07.1981 34 2,670,921	TELCO, Pune Engineer
Kulkarni S.K.	49	B.Com., MPM, LLB.	Director - H.R.D. (Corporate)	14.08.2006 26 3,980,486	SKF Limited, General Manager - HRD
Paranjape N.B.	57	M. Tech	Director - Operations	04.07.2000 29 3,353,077	Self-employed
Pichamoorthy S.	52	B.E. (Chem.)	General Manager (Marketing) - Valves	09.12.1987 28 2,692,786	Vulcan Laval Ltd. Senior Sales Engineer
Puturjunan P	61	B.E. (Mech)	General Manager - Operations (Valves)	05.05.1997 37 3,046,061	ITW Signode India Ltd. Dy. General Manager
Ravi Shanker V.	55	B.A., A.C.A., A.C.S.	General Manager - Budgeting & Controlling	04.10.1994 30 2,772,370	Premier Automobiles Ltd., Finance Manager
Spiegel W. +	59	Graduate Mechanical Engineer	Managing Director (Board Member)	01.01.2002 45 3,554,708	KSB AG, Germany - Head of Division (Industry, Water & Sewage)
Watve P.V.	47	B.E. (Mech.), D.M.M.	General Manager - Purchase (Corporate)	05.06.2003 26 2,608,155	Kirloskar Oil Engines Ltd. Manager-Engine Valves Division
Verghese Oommen	58	B.Com., A.C.A.	Director - Finance	18.11.1996 36 5,657,693	The Tata Engg. & Locomotive Co.Ltd - Div. Manager (Finance)

Notes:

- 1) Remuneration as shown above includes salary, H.R.A., Company's contribution to Provident Fund, Leave Travel Assistance and expenditure incurred by the Company on accommodation and other facilities.
- 2) Perquisites have been valued on the basis of Income-tax Act, 1961 and rules thereof.
- 3) The above employees are not relative of any Director of the Company.
- 4) +The appointment is governed by the terms approved by members/Government of India. All other appointments are contractual.

On behalf of the Board of Directors

G Swarup
Chairman

Mumbai, 24th February, 2011

ANNEXURE TO BOARD'S REPORT

A. CONSERVATION OF ENERGY

The Company on a continuous basis undertakes programmes of conserving energy. We have initiated an energy audit and, improvements for conservation of energy are under implementation. Modification in ETP plant has been carried out to save energy and space with modern techniques available.

B. TECHNOLOGY ABSORPTION

1. Import Substitution

The project of extending existing high pressure valve range from 12" to 24" has been completed. This range is mainly used in large energy projects and would be available to the market shortly.

2. Performance and Product Improvements

Improvements in three phase open well submersible pump sets and self-priming mini monobloc pump sets were undertaken and results have been found satisfactory.

3. Research and Development

Developments towards higher ratings of openwell submersible pumpsets and various ratings of openwell submersible pumpsets in vertical execution were undertaken during the year.

4. Benefits of Research and Development

Further 20 pump models have been granted higher star rating during this year. More models are planned for the coming year.

New 75 mm submersible pump sets were introduced in the market during the year. Hydropneumatic boosters were also introduced during the year.

5. Future Plans

Introduction of higher suction self-priming jet pump.

Introduction of higher head submersible pumpsets.

6. Expenditure on Research and Development

	(Rs. in million)	
	Year ended 31.12.2010	Year ended 31.12.2009
(a) Capital	—	—
(b) Recurring	4.7	5.6
(c) Total	4.7	5.6
(d) Total R&D Expenditure as Percentage of total Turnover	0.07	0.09

7. Technology Absorption, Adaptation and Innovation

Worldwide rationalization of end suction pumps is under progress. The Company is playing major role in this project.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs.633 million. Total foreign exchange earned during the year was Rs.712 million. Export orders outstanding for execution are Rs.384 million. Total foreign exchange used during the year was Rs.529 million.

On behalf of the Board of Directors

G Swarup
Chairman

Mumbai, 24th February, 2011

AUDITORS' REPORT TO THE SHAREHOLDERS

- (1) We have audited the attached Balance Sheet of KSB Pumps Limited as at 31st December, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in the annexure referred to above, we report that:
- i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - iii) the balance sheet, profit and loss account and cash flow statement
- dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub – section (3C) of section 211 of the Companies Act, 1956;
 - v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2010;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- (5) On the basis of written representations received from the directors, as on 31st December, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2010, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
Registration No.: 117366W

Hemant Joshi
Partner

Membership No.: 038019

Pune, 24th February, 2011

ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KSB PUMPS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 2010.

- | | |
|--|---|
| <p>(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(b) As explained to us, the management has physically verified most of the fixed assets during the year, other than patterns lying with third parties for which confirmations have been obtained from parties in most of the cases, and no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of the assets.</p> <p>(c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.</p> | <p>regard to the size of operations of the Company and have been properly dealt with in the books of accounts.</p> |
| <p>(ii) (a) Inventories have been physically verified during the period by the management. In respect of inventories lying with third parties confirmation have been obtained for a major portion of inventories. In our opinion, the frequency of verification is reasonable.</p> <p>(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between physical stocks and book stocks were not material having</p> | <p>(iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (iii)(a) to (iii)(g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable.</p> <p>(iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that some of the items purchased/ sold are of a special nature and comparable alternative quotations/ prices are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses, if any, in internal controls system.</p> <p>(v) (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, contracts or arrangements that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.</p> <p>(b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.</p> <p>(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules</p> |

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

framed there under, with regard to the deposits accepted from the public. No order has been passed by the Company Law Board.

- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company relating to the manufacture of Power Driven Pumps pursuant to the notification of the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and, on the basis of the information received, are of the opinion that prima facie the prescribed accounts and records have been maintained/ are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
- (ix) (a) According to the records of the Company, apart from the certain instances of delays in depositing undisputed income tax deducted at source, Employees' State Insurance and Sales tax, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income tax, Sales tax, Service Tax, Wealth tax, Custom Duty, Excise Duty, cess and other statutory dues with the appropriate authorities. Based on our audit procedures and according to the information and explanations given to us, there are no arrears of statutory dues which has remained outstanding as at 31st December, 2010 for a period of more than six

months from the date they became payable.

- (b) According to the information and explanations given to us and records of the company the dues of sales tax/ income tax/ customs duty/ wealth tax/ service tax/ excise duty/ cess, which have not been deposited on account of any dispute are as follows:

Nature of Dues	Amount (Rs.)	Forum where dispute is pending
Excise Duty	310,000	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Excise Duty	975,585*	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Chennai.
Excise Duty	18,750,512*	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	6,418,950	Commissioner (Appeals), Central Excise, Pune.

* stay granted for recovery.

- (x) The Company does not have any accumulated losses as at 31st December, 2010. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution/ bank/ debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- | | |
|---|---|
| <p>way of pledge of shares, debentures and other securities.</p> <p>(xiii) The Company is not a chit fund, nidhi/ mutual benefit fund and therefore the requirements pertaining to such class of companies is not applicable.</p> <p>(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.</p> <p>(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>(xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the Company has not availed any term loans during the year.</p> <p>(xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have not been used during the year for long term investments.</p> <p>(xviii) The Company has not made any preferential allotment of shares during the year to parties and companies</p> | <p>covered in the Register maintained under section 301 of the Companies Act, 1956.</p> <p>(xix) The Company has not issued any debentures during the year and therefore the question of creating security or charge in respect thereof does not arise.</p> <p>(xx) The Company has not made any public issue during the year and therefore the question of disclosing the end use of money does not arise.</p> <p>(xxi) Based upon the audit procedures performed and according to the information and explanations given and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the year.</p> |
|---|---|

For Deloitte Haskins & Sells
Chartered Accountants
Registration No.: 117366W

Hemant Joshi
Partner
Membership No.: 038019

Pune, 24th February, 2011

Balance Sheet as at 31st December, 2010

	Schedule	As at 31st December, 2010 Rs. in 000's	As at 31 st December, 2009 Rs. in 000's
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a. Share Capital	1	174,039	174,039
b. Reserves And Surplus	2	3,459,173	3,145,743
		3,633,212	3,319,782
2 LOAN FUNDS			
a. Secured Loans	3	136,161	73,302
b. Unsecured Loans	4	1,112	1,957
		137,273	75,259
	Total	3,770,485	3,395,041
APPLICATION OF FUNDS			
1 FIXED ASSETS	5		
a. Gross Block		3,095,197	2,644,542
b. Less : Depreciation/Amortisation		1,581,936	1,399,703
c. Net block		1,513,261	1,244,839
d. Add: Capital work in progress		60,605	296,876
e. Add: Capital advances		26,379	37,464
		1,600,245	1,579,179
2 INVESTMENTS	6	63,550	63,567
3 DEFERRED TAX BALANCE			
a. Deferred tax Asset		129,981	96,018
b. Deferred tax Liability		83,078	76,461
		46,903	19,557
4 CURRENT ASSTS, LOANS AND ADVANCES			
a. Inventories	7	1,585,005	1,163,447
b. Sundry debtors	8	1,126,987	1,040,520
c. Cash and bank balances	9	990,969	975,163
d. Loans and advances	10	652,757	532,553
		4,355,718	3,711,683
5 LESS : CURRENT LIABILITIES AND PROVISIONS			
a. Current Liabilities	11	1,873,652	1,572,295
b. Provisions	12	422,279	406,650
		2,295,931	1,978,945
NET CURRENT ASSETS		2,059,787	1,732,738
	Total	3,770,485	3,395,041

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup Chairman

A.R. Broacha }
D.N.Damania } Directors

W. Spiegel Managing Director

Mumbai, 24th February, 2011

Profit and Loss Account for the year ended 31st December, 2010

	Schedule	Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
INCOME				
Sale of products and services (Gross)		6,415,900		5,916,544
Less : Excise duty		330,473		277,860
Sale of products and services (Net)			6,085,427	5,638,684
Other Income	13		184,272	114,438
			6,269,699	5,753,122
EXPENDITURE				
Materials	14		3,021,602	2,553,616
Payments to and provisions for employees	15		917,606	797,879
Other expenses	16		1,388,532	1,183,647
Interest	17		5,345	18,237
Depreciation/Amortisation			207,419	203,409
			5,540,504	4,756,788
Less : Amount Capitalised, etc.			13,255	11,438
			5,527,249	4,745,350
Profit before tax			742,450	1,007,772
Less : Provision for taxation - Current tax		254,000		350,000
- Deferred tax		(27,346)		(8,957)
- Fringe benefit tax		-		2,400
			226,654	343,443
Profit after tax			515,796	664,329
Add : Excess / (Short) provision for current taxation in respect of earlier years			(119)	(2,522)
Net Profit			515,677	661,807
APPROPRIATIONS				
a. Dividend :				
Interim			34,808	34,808
Final (proposed)			139,231	182,741
			174,039	217,549
b. Tax on interim dividend [net of Rs.704(000)]; (Previous year Rs. Nil) excess provision written back with respect to previous year)			5,083	5,916
c. Tax on proposed final dividend			23,125	31,057
d. Transfer to General Reserve			55,000	70,000
e. Balance carried to Balance Sheet			258,430	337,285
			515,677	661,807
Basic/Diluted Earnings per Equity Share (Nominal Value per share Rs. 10) in Rs.			29.63	38.03

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup

Chairman

A.R. Broacha
D.N.Damania

} Directors

W. Spiegel

Managing Director

Mumbai, 24th February, 2011

Cash Flow Statement for the year ended 31st December, 2010

	2010		2009	
	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		742,450		1,007,772
Adjustment for :				
Depreciation	207,419		203,409	
Unrealised exchange (gain) / loss	(1,357)		(3,003)	
Interest expense	5,345		18,237	
(Profit)(-)/ Loss (+) on sale of fixed assets (net)	(2,221)		(7,317)	
Income from investments	(33,075)		(30,725)	
Interest income	(72,752)		(39,461)	
		103,359		141,140
Operating profit before changes in Working Capital		845,809		1,148,912
Adjustments for changes in Working capital and Provisions :				
Trade receivables	(86,467)		332,749	
Loans and advances	(88,374)		(113,505)	
Inventories	(421,558)		168,741	
Current Liabilities	301,379		(20,039)	
Provisions	81,453		10,508	
		(213,567)		378,454
Cash generated from operations		632,242		1,527,366
Direct taxes paid (including fringe benefit tax)		(286,477)		(357,929)
Net Cash from Operating activities		345,765		1,169,437
B CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets :				
Purchase	(229,792)		(389,937)	
Sale	2,683		9,793	
Investments :				
Sale	17		402	
Interest received	58,898		32,587	
Income from investments received	33,075		30,725	
Net Cash utilised in investing activities		(135,119)		(316,430)
C CASH FLOW FROM FINANCING ACTIVITIES				
Working capital borrowings	62,859		(236,326)	
Interest paid	(5,345)		(18,237)	
Dividends	(217,571)		(95,780)	
Tax on dividends	(36,140)		(16,268)	
Net Cash from / used in financing activities		(196,197)		(366,611)
D UNREALISED EXCHANGE GAIN / (LOSS) IN CASH AND CASH EQUIVALENTS		1,357		3,003
E NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		15,806		489,399
Cash and Cash Equivalents (Opening balance)		975,163		485,764
Cash and Cash Equivalents (Closing balance)		990,969		975,163

Cash Flow Statement for the year ended 31st December, 2010 (Contd.)

Notes :

- 1 Figures in brackets represent outflows of cash and cash equivalents.
- 2 Purchase of fixed assets include payments for items in capital work-in-progress and advances of capital nature. Adjustment for increase/decrease in Current Liabilities related to the acquisition of fixed assets has not been made as these figures are not readily ascertainable and therefore would form part of changes in working capital.
- 3 Cash and cash equivalents comprise of :

	As at 31st Dec.2010 Rs.in 000's	As at 31st Dec.2009 Rs.in 000's	As at 31st Dec.2008 Rs.in 000's
Cash,Cheques,Stamps on hand and remittance in transit	366	376	620
Balance with Scheduled banks on :			
Current account :			
Unclaimed dividend account (restricted)	2,091	2,113	2,171
Others	287,553	282,066	200,569
Fixed Deposit account			
- Restricted	165,953	280,300	228,133
- Others	535,006	410,308	54,271
	<u>990,969</u>	<u>975,163</u>	<u>485,764</u>

Per our report attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup

Chairman

A.R. Broacha
D.N.Damania

} Directors

W. Spiegel

Managing Director

Mumbai, 24th February, 2011

SCHEDULES TO THE BALANCE SHEET

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's					
1 SHARE CAPITAL							
Authorised :							
20,000,000 (previous year - 20,000,000)							
Equity Shares of Rs.10 each	200,000	200,000					
Issued, subscribed and paid up :							
17,403,922 (previous year -17,403,922)							
Equity Shares of Rs.10 each fully paid up	174,039	174,039					
Notes :							
1 Of the above shares, 16,544,488 (previous year - 16,544,488) shares are allotted as fully paid-up bonus shares by way of capitalisation of share premium and general reserve.							
2 Out of the above shares, 890 (previous year - 890) shares have been issued pursuant to the Scheme of Amalgamation with erstwhile Grade-O-Castings Ltd. without payment being received in cash.							
2 RESERVES AND SURPLUS							
Description	Amalgamation Reserve Rs. in 000's	Capital Reserve Rs. in 000's	Capital Redemption Reserve Rs. in 000's	Share Premium Rs. in 000's	General Reserve Rs. in 000's	Profit & Loss Account Rs. in 000's	Reserves & Surplus Total Rs. in 000's
As at 31st December, 2009	61	87	100	3,196	972,118	2,170,181	3,145,743
	(61)	(87)	(100)	(3,196)	(902,118)	(1,832,896)	(2,738,458)
Transferred from / (to)	—	—	—	—	55,000	258,430	313,430
Profit and Loss Account	—	—	—	—	(70,000)	(337,285)	(407,285)
As at 31st December, 2010	61	87	100	3,196	1,027,118	2,428,611	3,459,173
	(61)	(87)	(100)	(3,196)	(972,118)	(2,170,181)	(3,145,743)
3 SECURED LOANS							
Working Capital facilities from banks secured by hypothecation of stocks (including loose tools, stores and spares, book debts and pledge of fixed deposits of Rs.165,953,000 (previous year -Rs. 280,300,000))					136,161		73,302
					136,161		73,302
4 UNSECURED LOANS							
Loans and Advances from other than Banks (in respect of assets taken on finance lease on or after 1st April, 2001) (repayable within one year Rs. 727,409; previous year Rs. 842,216)					1,112		1,957
					1,112		1,957

SCHEDULES TO THE BALANCE SHEET (Contd.)

Rs. in 000's

5 FIXED ASSETS

DESCRIPTION	AT COST			DEPRECIATION / AMORTISATION			NET BOOK VALUE			
	As at 31st December, 2009	Additions during the year	Deductions during the year	As at 31st December, 2010	Upto 31st December, 2009	Provided during the year	Deductions during the year	Upto 31st December, 2010	As at 31st December, 2010	As at 31st December, 2009
Tangible Assets										
Freehold land	3,009	—	—	3,009	—	—	—	—	3,009	3,009
Leasehold land	15,505	—	—	15,505	2,613	201	—	2,814	12,691	12,892
Buildings (see note)	393,014	96,502	97	489,419	178,811	28,198	97	206,912	282,507	214,203
Plant and Machinery	2,062,378	364,929	23,248	2,404,059	1,092,152	157,336	23,044	1,226,444	1,177,615	970,226
Furniture and fixtures	67,665	3,882	91	71,456	44,776	9,996	91	54,681	16,775	22,889
Development of property	41	—	—	41	41	—	—	41	—	—
Vehicles	32,566	7,320	716	39,170	17,115	8,786	514	25,387	13,783	15,451
Leased Assets - Vehicles	5,370	—	1,496	3,874	4,607	326	1,440	3,493	381	763
Intangible Assets (other than internally generated)										
Software	17,154	3,487	—	20,641	15,135	1,863	—	16,998	3,643	2,019
Rights, techniques, process and technical know-how	47,840	183	—	48,023	44,453	713	—	45,166	2,857	3,387
TOTAL	2,644,542	476,303	25,648	3,095,197	1,399,703	207,419	25,186	1,581,936	1,513,261	1,244,839
Previous year	2,314,391	391,761	61,610	2,644,542	1,255,428	203,409	59,134	1,399,703		
Capital work-in-progress									60,605	296,876
Capital advances									26,379	37,464
									1,600,245	1,579,179

NOTE:
Buildings include Rs. 10,750 (previous year - Rs.10,750) being the cost of shares in co-operative housing/industrial societies.

SCHEDULES TO THE BALANCE SHEET (Contd.)

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
6 INVESTMENTS		
LONG TERM :		
Unquoted, Non-trade		
MIL Controls Limited - 735,000 (previous year -735,000) equity shares of Rs.10 each fully paid	62,649	62,649
In subsidiary company :		
Pofran Sales & Agency Ltd.- 5,000 (previous year 5,000) equity shares of Rs. 100 each fully paid	500	500
In Government securities :		
National Savings Certificate (pledged certificates of Rs.Nil; previous year -Rs.17,000 with various Government authorities)	—	17
Indira Vikas Patra	1	1
Others :		
15,995 (previous year - 15,995) shares of Rs.25 each fully paid in Mula Pravara Electric Co-operative Society Limited	400	400
	<u>63,550</u>	<u>63,567</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
7 INVENTORIES		
Stores and spare parts	21,735	20,948
Loose tools	21,175	15,459
Stock-in-trade :		
Raw materials and bought-out components	429,946	376,418
Work-in-progress	760,374	568,053
Finished goods	351,775	182,569
	<u>1,585,005</u>	<u>1,163,447</u>
8 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	91,041	117,271
Considered doubtful	<u>51,969</u>	<u>74,985</u>
	143,010	192,256
Other debts		
Considered good	1,035,946	923,249
Considered doubtful	<u>17,926</u>	<u>—</u>
	1,053,872	923,249
	<u>1,196,882</u>	<u>1,115,505</u>
Less : Provision for Doubtful Debts	69,895	74,985
	<u>1,126,987</u>	<u>1,040,520</u>
9 CASH AND BANK BALANCES		
Cash on hand	366	376
Balance with scheduled banks on:		
Fixed deposits (including Rs.- 165,953,000 pledged with the banks, previous year - Rs. 280,300,000)	700,959	690,608
Current accounts	<u>289,644</u>	<u>284,179</u>
	990,603	974,787
	<u>990,969</u>	<u>975,163</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

	Rs. in 000's	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
10 LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good *	516,249		418,842
Considered doubtful	5,315		7,387
	<u>521,564</u>		<u>426,229</u>
Less : Provision for doubtful advances	<u>5,315</u>		<u>7,387</u>
		516,249	418,842
Balance with Central Excise authorities		727	1,880
Taxes paid in advance less provisions (current tax)		135,781	109,630
Fringe benefit tax in advance		—	2,201
		<u>652,757</u>	<u>532,553</u>
* includes amount receivable from Company under the same management:KSB Tech Private Ltd. Rs. 5,645 (in 000's) (Previous year - Rs. Nil)			
11 CURRENT LIABILITIES			
Sundry creditors			
Total outstanding dues of Micro enterprises and small enterprises (See note 23 - Schedule 19)	1,891		1,325
Total outstanding dues of creditors other than Micro enterprises and small enterprises	<u>1,433,416</u>		<u>1,256,062</u>
		1,435,307	1,257,387
Other Liabilities (including unclaimed dividends)		86,776	80,504
Advance from customers		351,569	234,404
		<u>1,873,652</u>	<u>1,572,295</u>
12 PROVISIONS			
Proposed dividend		139,231	182,741
Warranties		17,688	16,756
Leave Encashable		105,606	100,032
Gratuity		68,119	25,055
Other provisions		66,130	34,247
Tax provision less payments (current tax)		2,380	16,762
Tax on proposed final dividend		23,125	31,057
		<u>422,279</u>	<u>406,650</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
13. OTHER INCOME		
Income from Non-trade investments (Long term)	33,075	25,725
Dividend from subsidiary company	—	5,000
Interest on Bank Deposits, delayed payments from dealers/customers, Income tax refunds, etc. (Tax deducted at source -Rs. 5,973,763 ; previous year - Rs. 6,328,113)	72,752	39,461
Sundry credit balances & Provisions no longer required, written back	10,593	—
Profit /Loss on sale / write off of fixed assets (net) (including on sale of leased assets)	2,221	7,317
Exchange Gain (net)	29,821	8,228
Miscellaneous income	35,810	28,707
	<u>184,272</u>	<u>114,438</u>
14. MATERIALS		
a Raw materials and components consumed	3,348,834	2,429,479
b Purchase for resale	34,295	24,571
c (Increase)/decrease in stock of Work in progress and Finished goods		
Opening Work in progress	568,053	690,604
Opening Finished goods	182,569	159,584
	<u>750,622</u>	<u>850,188</u>
Closing Work in progress	760,374	568,053
Closing Finished goods	351,775	182,569
	<u>1,112,149</u>	<u>750,622</u>
	<u>(361,527)</u>	<u>99,566</u>
	<u>3,021,602</u>	<u>2,553,616</u>
15 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus (including provision for Leave Encashment Rs. 5,574 (000's); previous year - provision Rs. 14,772 (000's)	754,906	687,088
Contribution to Provident funds and other funds [including provision for Gratuity Rs. 43,064(000's)]; [previous year - provision written back Rs. 306(000's)]	101,539	59,197
Staff welfare expenses	61,161	51,594
	<u>917,606</u>	<u>797,879</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd.)

	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
16 OTHER EXPENSES		
Processing & Machining charges	201,089	188,122
Stores consumed	113,885	87,362
Tools consumed	39,791	46,759
Water, power and fuel	114,101	90,308
Rent	6,303	5,702
Excise duty relating to increase / decrease in finished goods stock	11,547	2,503
Rates and taxes (See note 19 -Schedule 19)	44,714	5,918
Insurance (net)	8,923	7,402
Repairs and maintenance:		
Buildings	19,371	19,983
Machinery (See note 4-Schedule 19)	45,774	30,715
Others	53,526	44,589
	118,671	95,287
Travelling expenses	72,196	47,945
Packing & Forwarding (net of recoveries - Rs. 33,925,799 previous year-Rs.23,464,079)	156,853	119,886
Directors' fees	370	365
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1,300	1,000
Tax audit fees	250	250
Accounts for tax purposes	350	350
Company Law matters	10	12
Taxation matters	—	20
Fees for other services (includes Rs. Nil with respect to earlier year (previous year - Rs. 2,00,000)	1,166	1,130
Reimbursement of out of pocket expenses	144	111
	3,220	2,873
Cost audit fees (net of service tax)	160	160
Commission:		
Sole selling agents	63,277	97,730
Other selling agents	23,814	16,184
	87,091	113,914
Cash and quantity discount	82,616	65,650
Royalty charges	10,448	4,654
In respect of late delivery under contracts	10,761	26,352
Provision for doubtful debts and advances (net)	(7,162)	30,318
Legal & Professional charges (including SAP implementation expenses - Rs. 4,110,500 ; previous year - Rs. 8,003,000)	26,001	26,941
General Charges	286,954	215,226
	1,388,532	1,183,647
17 INTEREST		
Interest on fixed period loans	2,936	4,247
Others	2,409	13,990
	5,345	18,237

SCHEDULE 18

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Fixed assets and depreciation/amortisation:

(a) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.

(b) Depreciation/amortization on fixed assets:

i) Depreciation on tangible fixed assets is provided at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 on the written down value (WDV) method in respect of buildings, furniture and fixtures and vehicles and on the straight line method (SLM) in respect of other assets. However, the rate of depreciation in respect of the following assets is higher :-

Jigs & fixtures	- 33% (SLM)
Furniture & fixtures	- 37% (WDV)
Office equipments	- 10% (SLM)
Electrical installations	- 10% (SLM)
Vehicles	- 60% (WDV)

Leasehold land and assets taken on lease are amortised over the period of the lease.

ii) Intangible assets are amortised on the straight line method at the following rates :

Rights, techniques, Process and Know-how	14.29 %, 20 %
Software	33%

2. Investments:

Long-term Investments are valued at cost of acquisition and related expenses. Provision is made for other than temporary diminution, if any, in the value of such investments.

3. Inventories:

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used for industrial valves, submersible pumps, industrial pumps, pumps for power projects and castings. Hitherto, the cost of raw materials, components, stores, spares and loose tools for castings were determined using the first-in-first-out (FIFO) method. The impact on valuation of inventories and profit for the year, consequent to the change in the method of valuation, is not material.

Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.

4. Sundry debtors and advances:

Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.

5. Foreign exchange transactions :

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Realised gains and losses as also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Profit and Loss account. Premium/Discount in respect of Forward Contracts is accounted for over the period of contract.

6. Revenue Recognition :

(i) Sales of goods is recognised on shipment or despatch to customers.

(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established. Dividend from the subsidiary company declared after the year end is, as per the law, accounted during the year.

(iii) Income from services rendered is accounted for when the work is performed.

7. Employee Benefits:

Employee benefits includes gratuity, superannuation and provident fund and leave encashment benefits under the approved schemes of the Company.

In respect of defined contribution plans, the contribution payable for the year is charged to the Profit and Loss Account.

In respect of defined benefit plans and other long term employee benefits, the employee benefit costs is accounted for based on an actuarial valuation as at the Balance Sheet date.

8. Product Warranty :

Cost of product warranties is disclosed under the head

(i) 'raw materials and components consumed' as consists of free replacement of spares.

(ii) 'general charges' which includes provision for warranties.

9. Taxes on Income :

Tax expense for the year is included in the determination of the net profit for the year.

Deferred tax is recognised on all timing differences, subject to consideration of prudence in respect of deferred tax assets.

10. Leases :

Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding

SCHEDULE 18 (Contd.)

liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

11. Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

12. Cash Flow Statement:

The Cash Flow statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.

13. Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognized in the year in which the results are known/materialized.

14. Provisions, Contingent Liabilities and Contingent Assets:

As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for:

(i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(ii) Any present obligation that arises from past events but is not recognized because-

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

15. Earnings per share

The company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share.

Basic earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

SCHEDULE 19

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

- Contingent liabilities not provided in respect of:
 - taxation matters in dispute pending at various stages of appeal Rs. 42,271,000 (previous year - Rs. 42,765,642);
 - claims against the Company not acknowledged as debts Rs.5,481,000 (previous year - Rs. 2,569,000);
 - bills discounted/cheques purchased with banks Rs. 20,281,403; (previous year - Rs. 20,824,548);
 - excise matters - Rs. 49,975,869 (previous year - Rs. 46,989,068);
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 54,289,595 (previous year - Rs. 70,307,175).
- Guarantees amounting to Rs. 934,906,075 (previous year - Rs. 693,489,196) have been given by the bankers on behalf of the Company, and are secured by the hypothecation of stocks (including loose tools, stores and spares) and book debts.
- Repairs to machinery include Rs. 25,896,138 (previous year - Rs. 17,810,796) spares consumed.
- Managerial remuneration under Section 198 of the Companies Act, 1956, to the Directors:

	Year ended 31st December, 2010	Year ended 31st December, 2009
	Rs. in 000's	Rs. in 000's
Salary	1,620	1,620
Commission	3,260	3,210
Contribution to Provident Fund	194	194
Perquisites in cash or kind	931	1,083
Directors' fees	370	365
Total	<u>6,375</u>	<u>6,472</u>

Note: Excludes contribution for gratuity, superannuation and personal accident insurance premium and the liability for encashable leave as the figures for directors are not separately available.

- COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 309 (5) OF THE COMPANIES ACT, 1956

	Year ended 31st December, 2010	Year ended 31st December, 2009
	Rs.in 000's	Rs.in 000's
Profit before tax as per Profit and Loss Account	742,450	1,007,772
Add: Managerial remuneration	6,375	6,472
Provision for doubtful debts and advances (net)	—	30,318
	<u>6,375</u>	<u>36,790</u>
	<u>748,825</u>	<u>1,044,562</u>
Less: Provision for doubtful debts and advances (net)	7,162	—
Capital profit on sale of fixed assets	—	3,438
	<u>7,162</u>	<u>3,438</u>
Net Profit as per Section 309(5)	<u>741,663</u>	<u>1,041,124</u>
Commission payable to Whole time director @ 1% of net profits restricted to 50% of salary of the said Director	810	810
Commission payable to Non-Whole time Directors @ 1% of net profits restricted to sum determined by the Board of Directors	2,450	2,400
	<u>3,260</u>	<u>3,210</u>

SCHEDULE 19 (Contd.)

	Year ended 31st December, 2010 Rs.in 000's	Year ended 31st December, 2009 Rs.in 000's		
7. CIF Value of Imports :				
Raw materials and components	198,898	302,300		
Stores, spares and tools	489	902		
Capital goods	66,366	124,698		
Items imported for resale	31,254	19,805		
	<u>297,007</u>	<u>447,705</u>		
8. Expenditure in foreign currency (disclosed on accrual basis) on account of:				
Royalty (net of tax)	9,228	3,990		
Professional fees	25,659	3,500		
Technical Services	2,737	1,359		
Other matters	103,299	120,539		
9. Earnings in foreign exchange on account of:				
(i) Exports at FOB value *	632,935	781,607		
(ii) Recovery of packing and forwarding charges	4,475	4,552		
(iii) Service charges	4,792	2,238		
(iv) Technical services	6,558	7,481		
(v) Commission	61,606	16,522		
(vi) Others	1,577	—		
* excludes Rs. 12,000(000's) (Previous year - Rs. Nil) on account of exports to Nepal, consideration for which is receivable in Indian Rupees.				
10. Remittances in foreign currency to non-resident shareholders on account of dividends:				
	Paid in Year 2010		Paid in Year 2009	
	Final	Interim	Final	Interim
(a) Year to which the dividend relates	2009	2010	2008	2009
(b) Number of non-resident shareholders to whom remittance was made	180	212	82	150
(c) Number of shares on which remittance was made	7,193,071	7,288,908	7,108,134	7,166,207
(d) Amount remitted (Rs.in 000's)	75,527	14,577	24,878	14,332

The above information pertains to only those non-resident shareholders where the Company has made direct remittance or has made payment into non-resident designated accounts with banks in India.

SCHEDULE 19 (Contd.)

11. Consumption of raw materials and bought-out components :

Description	Unit	Year ended 31st December, 2010		Year ended 31st December, 2009	
		Amount Rs. in 000's	Quantity	Amount Rs. in 000's	Quantity
Forgings	Kgs.	123,660	886,127	61,853	266,986
Steels	Kgs.	99,774	912,065	74,723	666,797
Castings	Kgs.	643,905	4,293,459	353,686	2,335,952
Winding wire & cables	Mtrs.	153,838	34,735,399	92,702	30,214,779
Stampings	Kgs.	132,175	1,063,498	100,453	885,718
Electric motors	Nos.	243,454	495	125,930	675
Metal scrap	Kgs.	91,143*	3,154,940	49,178*	2,138,476
Melting additions	Kgs.	28,904	174,022	19,419	182,361
Pig Iron	Kgs.	50,173	1,926,685	34,093	1,607,258
Other metals & bought-out components		1,781,808		1,517,442	
		3,348,834		2,429,479	

Notes :

- As the Company also sells as spare parts/ ancillary equipment (for goods manufactured and sold by it), some of its bought-out components, the items shown above as consumption include cost of such items sold, this being an activity ancillary to its manufacturing activity.
- The Company is of the opinion that the purchase & sale of such bought-out components is a part of its activity to manufacture and deliver a complete pump unit and, therefore, is not a trading activity as referred to in paragraph 3(ii)(b) of Part II of Schedule VI to the Companies Act, 1956, requiring the disclosure of quantitative details in respect of opening stocks, purchases and closing stocks of such items. Quantitative details and values of such sales have been included in Note 14.
- The consumption figures in value are balancing figures ascertained on the basis of opening stocks plus purchases less closing stocks and therefore, include adjustments for excesses and shortages ascertained on physical count, etc.
- * The quantity consumed includes scrap internally generated by other units and used by the Foundry Divisions, to which no value is attributed.

12. Value of Imported and Indigenous raw materials, bought-out components consumed :

Particulars	Year ended 31st December, 2010		Year ended 31st December, 2009	
	Amount Rs. in 000's	Percentage of total consumption	Amount Rs. in 000's	Percentage of total consumption
Raw materials and bought-out components:				
Imported at landed cost	153,746	4.59	171,864	7.07
Indigenously obtained	3,195,088	95.41	2,257,615	92.93
	3,348,834	100.00	2,429,479	100.00

Note : Components and spare parts referred to in para 4 (D) (c) of Part II of Schedule VI of the Companies Act, 1956, are interpreted to mean the components and spare parts which are incorporated in the products sold and not those used for the maintenance of plant and machinery.

SCHEDULE 19 (Contd.)

13. Particulars	Year	Licensed capacity on the basis of maximum utilisation of plant and machinery		Installed capacity (on triple shift basis) as certified by the Management and not verified by the auditors as this is a technical matter	
Power Driven Pumps	2010	Not applicable *		Nos.	150,500
	2009	Not applicable *		Nos.	150,500
Industrial Valves	2010	Not applicable *		Nos.	186,000
	2009	Not applicable *		Nos.	186,000
Carbon Steel, Alloy Steel, and Alloy Iron Castings	2010	Tonnes	9000 **	Tonnes	9,000
	2009	Tonnes	7000 **	Tonnes	6,800
Non Ferrous Castings	2010	Tonnes	200 **	Tonnes	200
	2009	Tonnes	200 **	Tonnes	200

* Under a notification dated July 25,1991 issued by the Ministry of Industry, the Company's industrial undertakings are exempt from the licensing provisions of the Industries (Development and Regulation) Act,1951.In accordance with the said notification memoranda have been filed with the Department of Industrial Development (Secretariat of Industrial Approvals).

** Represents registered capacity,with the Department of Industrial Development.

14. Opening and closing stocks of goods, actual production, purchases, sales and services :

Particulars	Year	OPENING STOCK		PRODUCTION	PURCHASES		SALES / SERVICES		CLOSING STOCK	
		Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Value Rs. in 000's
I. a) Power Driven Pumps	2010	15,307	84,704	152,793	-	-	143,674	4,351,850	22,869	203,394
	2009	(13,813)	(106,672)	(123,741)	(-)	(-)	(121,398)	(4,210,298)	(15,307)	(84,704)
b) Spares for above	2010	-	-	-	-	-	-	483,541	-	-
	2009	(-)	(-)	(-)	(-)	(-)	(-)	(436,425)	(-)	(-)
II. a) Industrial Valves	2010	14,628	88,643	143,655	-	-	131,966	1,010,827	22,774	140,838
	2009	(9,858)	(42,998)	(106,961)	(-)	(-)	(98,727)	(839,193)	(14,628)	(88,643)
b) Spares for above	2010	-	-	-	-	-	-	13,318	-	-
	2009	(-)	(-)	(-)	(-)	(-)	(-)	(11,188)	(-)	(-)
III Castings										
Carbon Steel, Alloy	2010	-	-	153,126 kgs	-	-	153,126 kgs	7,910	-	-
Steel & Alloy Iron	2009	(-)	(-)	(69,195) kgs	(-)	(-)	(69,195) kgs	(3,945)	(-)	(-)
Castings										
IV Export Incentives	2010	-	-	-	-	-	-	11,448	-	-
	2009	(-)	(-)	(-)	(-)	(-)	(-)	(12,501)	(-)	(-)
V Income from services	2010	-	-	-	-	-	-	145,822	-	-
	2009	(-)	(-)	(-)	(-)	(-)	(-)	(87,089)	(-)	(-)
VI Pumps for resale	2010	549	9,222	-	1,782	30,814	1,858	55,894	473	7,543
	2009	(639)	(9,914)	(-)	(1,292)	(24,496)	(1,382)	(37,955)	(549)	(9,222)
VII Valves for resale	2010	-	-	-	22	3,481	22	4,817	-	-
	2009	(-)	(-)	(-)	(10)	(75)	(10)	(90)	(-)	(-)
TOTAL	2010		182,569			34,295		6,085,427		351,775
	2009		(159,584)			(24,571)		(5,638,684)		(182,569)

NOTES:

- Opening stock includes :-
 - Nil pumps (previous year - 67 pumps) dismantled during the year.
 - 79 pumps (previous year - 232 pumps) scrapped / written off during the year.
- Production includes :-
 - 3,282 valves (previous year - 3,392 valves) meant for captive consumption.
 - 3 pump (previous year - Nil pump) meant for captive consumption.
- Sales exclude :-
 - 105 pumps (previous year - 28 pumps) and 261 valves (previous year - 72 valves) given as free replacement.
 - 114 pumps (previous year 6 pumps) lost in transit during the year.
 - 1,256 pumps (previous year 516 pumps) manufactured on behalf of the Company by a third party given as free replacement.
- Production includes 46,008 pumps (previous year 38,256 pumps) manufactured on behalf of the Company by a third party.
- The Company sells as spare parts a proportion of its manufactured components. The Company considers a component as "meant for sale" only when it is actually sold or transferred to the marketing offices for sale. The manufactured components sold during the year are 210,211 numbers (previous year - 179,649 numbers). It is not practicable to furnish quantitative information in respect of stock of spares in view of considerable number of items diverse in size and nature.
- In respect of Power Driven Pumps, whilst the components, including motors are invoiced on delivery & the value reflected in the turnover of the year of delivery or in closing stock, as the case may be, for the purpose of quantitative information a Power Driven Pump is treated as having being produced / sold during the year in which the main component i.e. the pump is produced and sold respectively.
- The quantity disclosed under production for castings is the quantity sold, as the Company considers production "meant for sale" only when it is sold.

SCHEDULE 19 (Contd.)

15. Research and Development expenditure debited to the Profit and Loss Account aggregating Rs. 4,748,150 (previous year - Rs. 5,669,000) has been incurred by the Company and disclosed under appropriate account heads.
16. The net exchange differences arising during the year recognised appropriately in the profit and loss account - net gain- Rs. 29,821,365 (previous year – net gain Rs. 8,228,180)
17. Particulars of assets taken on finance lease on or after 1st April, 2001:
- (i) Total minimum lease payments as at the balance sheet date is Rs. 1,227,972 (previous year – Rs. 2,213,256) and the present value of total minimum lease payments as at the balance sheet date is Rs. 1,112,260 (previous year – Rs. 1,957,080). The difference represents the finance charge payable in the future.
- (ii) Total of minimum lease payments at the balance sheet date:

Payable	Total minimum lease payments at the balance sheet date		Present value of minimum lease payments	
	Current year Rs.	Previous year Rs.	Current year Rs.	Previous year Rs.
Not later than one year	752,204	990,894	727,409	842,216
Later than one year and not later than five years	475,768	1,222,362	384,851	1,114,864
Later than five years	—	—	—	—

(iii) The aforesaid leasing arrangements are in respect of vehicles. The lease period ranges from five years to seven years.

18 Related party disclosures

- (A) Name of the related party and nature of relationship where control exists:

Name of the party	Nature of relationship
1. KSB AG	Controlling Company
2. Canadian Kay Pump Ltd.	Controlling Company
3. Klein Pumpen GmbH	Controlling Company
4. Pofran Sales & Agency Ltd.	Subsidiary Company

SCHEDULE 19 (Contd.)

(B) Related Party Transactions

Nature of transactions	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's
Purchase of goods	9,537 (14,345)	— (—)	4,146 (—)	31,204 (30,922)	— (—)	— (—)	— (—)	— (—)	— (—)	44,887 (45,267)
Purchase of Fixed Assets	— (—)	— (—)	— (—)	393 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	393 (—)
Sale of goods	261,448 (242,434)	— (—)	— (—)	255,357 (407,708)	— (—)	— (—)	— (—)	— (—)	8,659 (3,568)	525,464 (653,710)
Income from services	14,290 (11,087)	— (—)	— (—)	10,257 (6,912)	— (—)	— (—)	— (—)	— (—)	— (—)	24,547 (17,999)
Order Cancellation Charges	1,576 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1,576 (—)
Site expenses paid	160 (372)	— (—)	— (—)	2,428 (3,671)	— (—)	— (—)	— (—)	— (—)	— (—)	2,588 (4,043)
Commission income	59,245 (11,618)	— (—)	— (—)	2,335 (3,525)	— (—)	— (—)	— (—)	— (—)	— (—)	61,580 (15,143)
Commission paid	— (—)	— (—)	— (—)	63,277 (97,730)	— (—)	— (—)	— (—)	— (—)	— (—)	63,277 (97,730)
Dividend received	— (—)	— (5,000)	33,075 (25,725)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	33,075 (30,725)
Charges paid for technical / Professional services	53,845 (17,889)	— (—)	— (—)	12,421 (11,040)	— (—)	— (—)	— (—)	— (—)	— (—)	66,266 (28,929)
Royalty paid	9,967 (4,288)	— (—)	— (—)	286 (144)	— (—)	— (—)	— (—)	— (—)	— (—)	10,253 (4,432)
Warranty charges paid	— (—)	— (—)	— (—)	— (332)	— (—)	— (—)	— (—)	— (—)	— (—)	— (332)
Rent received	— (—)	60 (60)	1,610 (1,464)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1,670 (1,524)
Recovery of expenses	522 (620)	657 (765)	9,885 (—)	3,251 (2,019)	— (—)	— (—)	— (—)	— (—)	— (61)	14,315 (3,465)

SCHEDULE 19 (Contd.)

(B) Related Party Transactions (Contd.)										
Nature of transactions	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's
Reimbursement of expenses	591 (—)	— (—)	— (—)	85 (6,201)	— (—)	— (—)	— (—)	— (—)	— (—)	676 (6,201)
Technical knowhow	1,717 (3,611)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1,717 (3,611)
Remuneration	— (—)	— (—)	— (—)	— (—)	3,555 (3,707)	— (—)	— (—)	— (—)	— (—)	3,555 (3,707)
Sitting fees paid	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	65 (80)	— (—)	— (—)	65 (80)
Dividend paid	88,193 (38,805)	— (—)	— (—)	— (—)	— (—)	— (—)	213 (207)	488 (214)	55,348 (24,364)	144,242 (63,590)
Commission to Directors	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	350 (400)	— (—)	— (—)	350 (400)
Amounts outstanding at year end										
- Receivable	53,596 (83,288)	— (—)	2,389 (3,017)	75,294 (143,670)	— (—)	— (—)	— (—)	— (—)	2,723 (1,211)	134,002 (231,186)
- Payable	49,319 (57,489)	— (—)	— (—)	142,738 (189,711)	— (—)	— (—)	350 (400)	— (—)	68 (89)	192,475 (247,689)
Provision for doubtful debts	— (—)	— (—)	— (—)	69 (69)	— (—)	— (—)	— (—)	— (—)	— (—)	69 (69)

Notes:-

1) Previous year's figures are shown within brackets.

2) The related parties included in the various categories above, where transactions have taken place are given below:

Controlling Companies	KSB AG Canadian Kay Pump Ltd.
Associate Company	MIL Controls Ltd.
Subsidiary Company	Pofran Sales & Agency Ltd.
Common Control	<p>KSB S.A.</p> <p>KSB Inc., USA</p> <p>KSB Pumps (S.A.) (Pty.) Ltd., South Africa</p> <p>KSB Australia</p> <p>KSB Chile S.A.</p> <p>KSB Singapore (Asia Pacific) PTE Ltd.Singapore</p> <p>KSB Limited, Hongkong</p> <p>KSB Pumps Co.Ltd., Thailand</p> <p>P.T. KSB., Indonesia</p> <p>KSB Taiwan Co.Ltd.</p> <p>KSB Ltd, Tokyo</p> <p>KSB Brazil</p> <p>KSB Korea</p> <p>KSB Mexico</p> <p>KSB Nederland</p> <p>DP Industries B.V., Nederland</p> <p>KSB Pumps Arabia Ltd.</p> <p>KSB Ltd., U.K.</p> <p>KSB Italia S.p.A., Italy</p> <p>KSB Pompa Turkey</p> <p>KSB Shanghai Pump Co. Ltd., China</p> <p>KSB Valves (Shanghai) Co. Ltd., China</p> <p>Mercantile-KSB Oy AB, Finland</p> <p>KSB Pakistan</p> <p>Delian KSB Amri Valves Co. Ltd., China</p>

SCHEDULE 19 (Contd.)

SCHEDULE 19 (Contd.)

Common Control (Contd.)	<p>Bombas ITUR S.A., Spain</p> <p>KSB TESMA S.A., Griechenland</p> <p>KSB Tech. Pvt. Ltd., India</p> <p>GIW Industries Inc., USA</p> <p>KSB Middle East FZE, Dubai</p> <p>KSB Pumpy + ArmatURY spol. sr. o. Czech</p> <p>KSB Service LLC</p> <p>KSB Pompy Armatura Poland</p> <p>KSB Compania Sudamericana</p> <p>KSB Belgium SA</p> <p>KSB China</p> <p>KSB Pumps & Valves Malaysia</p> <p>KSB Finanz SA</p> <p>KSB AMV SA Spain</p> <p>KSB Finland</p> <p>KSB Mork AB , Sweden</p> <p>KSB Lindflaten, Norway.</p> <p>KSB Ajax Pumps PTY</p>
Key Management Personnel	Mr. W. Spiegel
Individuals having significant influence over the enterprise	Mr. Gaurav Swarup
Relatives of individuals having significant influence over the enterprise	<p>Mrs. Gyan M Swarup</p> <p>Mahendra Swarup & Sons HUF</p> <p>Mr. Vikram Swarup</p> <p>Mrs. Bindu Swarup</p> <p>Mrs. Parul Swarup</p>
Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	<p>The Industrial & Prudential Investment Co. Ltd.</p> <p>New Holding and Trading Company Ltd.</p> <p>Paharpur Cooling Towers Ltd.</p>

SCHEDULE 19 (Contd.)

- 19 Details of provisions and movements in each class of provisions as required by the Accounting Standard on 'Provisions, Contingent Liabilities and Contingent Assets' (AS-29)

(Rs in 000's)

Particulars	Year 2010		Year 2009	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
Carrying amount at the beginning of the year	16,756	34,247	13,481	41,480
Additional Provision made during the year	22,210	66,130	17,200	34,247
Amount used during the year	(20,455)	-	(13,925)	-
Unused amount reversed during the year	(823)	(34,247)	-	(41,480)
Carrying amount at the end of the year	17,688	66,130	16,756	34,247

Brief description of the nature of the obligation and expected timing of resulting outflows of economic benefits:-

- 1) Warranty :- Warranty costs are accrued at the time products are sold, based on past experience. The provision is discharged over the warranty period of 18 months from the date of sale.
 - 2) Other Provisions (for Statutory levies) :- Other provision (for statutory levies) are provisions made for potential statutory liabilities expected to be settled within one year.
20. (a) Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2010 as reduced by the provision for 9 months up to 31st December, 2009 and the provision based on the figures for the remaining 9 months up to 31st December, 2010. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2010 will be determined based on the results for the year 1st April, 2010 to 31st March, 2011.
- (b) (i) Break up of deferred tax liability: (Rs. in 000's)

Nature of timing difference	As at 31 st December, 2010	As at 31 st December, 2009
Provision for Depreciation	83,078	76,461

- (ii) Break up of deferred tax asset:

Nature of timing difference	As at 31 st December, 2010	As at 31 st December, 2009
Provision for Leave encashment & Gratuity	57,707	42,517
Provision for Doubtful debts and advances	24,983	27,998
Other items	47,291	25,503
Total	129,981	96,018

21. Earnings per Share

- (a) The amount used as the numerator in calculating basic and diluted earnings per share is the Net Profit for the year disclosed in the Profit and Loss Account.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 17,403,922.

SCHEDULE 19 (Contd.)

22. a) Details of Derivative Instruments (for hedging)

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's		Purpose
	Current Year	Previous Year	Current Year	Previous Year	
Forward cover	USD 7,273,666 Euro 155,880	USD 8,420,900 Euro 71,200	338,522 9,628	404,716 5,048	Covering Debtors and future sales
Forward cover	Euro 42,480 USD 190,000 AUD Nil	Euro 290,760 USD 662,950 AUD 26,127	2,668 8,617 Nil	20,299 31,325 1,092	Covering Creditors and future purchases

b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise :

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's	
	Current Year	Previous Year	Current Year	Previous Year
Sundry creditors	Euro 1,093,508 USD 3,004,760	Euro 526,583 USD 4,135,145	65,645 135,192	35,306 195,801
Sundry Debtors	USD 1,592,882 Euro 541,034	USD 2,626,837 Euro 8,145	69,559 31,943	116,559 538
Bank balances	USD 2,323,790 Euro 31,105	USD 583,468 Euro 3,210	103,618 1,836	26,875 212

23 (a) Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31/12/2010 is Rs. 1,891,400 (previous year – Rs. 1,324,529) including unpaid amounts of Rs. 719,262 (previous year – Rs. 658,851) outstanding for more than 45 days. Estimated interest due thereon is Rs. 4,811 (previous year - Rs. 20,364).

(b) Amount of payments made to suppliers beyond 45 days during the year is Rs.14,586,344 (previous year – Rs. 9,366,765). Interest paid thereon is Rs. Nil (previous year – Rs. Nil) and the estimated interest due and payable thereon is Rs. 236,312 (previous year Rs. 159,107).

(c) The amount of estimated interest accrued and remaining unpaid as at 31/12/2010 is Rs. 241,123. (previous year – Rs. 179,471)

(d) The amount of estimated interest due and payable for the period from 01/01/2011 to actual date of payment or 10/02/2011 (whichever is earlier) is Rs. 18,108.

24. Details of Employee Benefits as required by the Accounting Standard 15 (Revised) Employee benefits are as under:

(A) Defined Contribution Plan

Amount recognised as an expense in the Profit and Loss Account in respect of Defined Contribution Plans is Rs. 35,699,623 (previous year - Rs. 34,969,368)

(B) Defined Benefit Plan

i) Actuarial gains and losses in respect of defined benefit plans are recognised in the Profit & Loss Account.

SCHEDULE 19 (Contd.)

- ii) The Defined Benefit Plans comprise of Gratuity and superannuation.

Gratuity is a benefit to an employee based on 15/20/25/30 days (depending on the grade/ category of the employee and the completed years of service) last drawn salary for each completed year of service.

Superannuation is a benefit to certain employees at Rs. 1000 / 500 / 250 (depending on the grade / category of the employee and the completed years of service) per month for each completed year of service.

Both the plans are funded.

Amount Rs. In '000

	Particulars	Gratuity		Superannuation	
(C)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :	Year 2010	Year 2009	Year 2010	Year 2009
1	Present Value of Defined Benefit Obligation as at 1st January	198,524	175,006	18,625	17,321
2	Current Service cost	10,372	11,801	1,192	1,072
3	Interest cost	15,408	10,984	1,509	1,161
4	Losses (gains) on Curtailment	-	-	-	-
5	Liabilities extinguished on settlements	-	-	-	-
6	Plan amendments	28,756	-	-	-
7	Actuarial (gains) / losses	23,753	11,448	408	1,021
8	Benefits paid	(16,599)	(10,715)	-	(1,950)
9	Present Value of Defined Benefit Obligation as at 31st December	260,214	198,524	21,734	18,625
(D)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1	Fair value of Plan assets as at 1st January	173,469	149,645	19,601	18,782
2	Expected return on plan assets	14,054	12,345	1,612	1,467
3	Actuarial gains and (losses)	174	2,149	973	242
4	Actual contributions by employers	20,997	20,045	1,100	1,060
5	Benefits paid	(16,599)	(10,715)	-	(1,950)
6	Plan assets as at 31st December	192,095	173,469	23,286	19,601
(E)	Analysis of Defined Benefit Obligation :				
1	Defined Benefit Obligation as at 31st December	260,214	198,524	21,734	18,625
2	Fair Value of Plan Assets at the end of year	(192,095)	(173,469)	(23,286)	(19,601)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	68,119	25,055	(1,552)	(976)
(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	260,214	198,524	21,734	18,625
2	Fair value of plan assets	192,095	173,469	23,286	19,601
3	Funded status [Surplus/(Deficit)]	(68,119)	(25,055)	1,552	976
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/(Liability) recognised in Balance Sheet	(68,119)	(25,055)	1,552	976

SCHEDULE 19 (Contd.)

Amount Rs. In 000's

	Particulars	Gratuity		Superannuation	
(G)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	10,372	11,801	1,192	1,072
2	Interest cost	15,408	10,984	1,509	1,161
3	Expected return on plan assets	(14,054)	(12,345)	(1,612)	(1,467)
4	Curtailment cost/(credit)	-	-	-	-
5	Settlement cost/(credit)	-	-	-	-
6	Past Service cost	28,756	-	-	-
7	Actuarial Losses/(Gains)	23,579	9,299	(565)	779
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	64,061	19,739	524	1,545
(H)	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"				
(I)	Actuarial Assumptions :				
1	Discount Rate (%)	8.10	8.10	8.10	8.10
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	6.00	1.00	6.00	1.00

- a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.
- b) Expected Rate of Return of Plan Assets : This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations
- c) Salary Escalation Rate : The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors

Amount Rs. In 000's

	Particulars	Gratuity				Superannuation			
(J)	Experience History	Year 2010	Year 2009	Year 2008	Year 2007	Year 2010	Year 2009	Year 2008	Year 2007
1	Defined Benefit Obligation at end of the period	260,214	198,524	175,006	128,126	21,734	18,625	17,321	15,077
2	Plan Assets at end of the period	192,095	173,469	149,649	129,601	23,286	19,601	18,782	18,574
3	Funded Status	(68,119)	(25,055)	(25,361)	1,475	1,552	976	1,461	3,497
4	Experience Gain/(Loss) adjustments on plan liabilities	(7,556)	(14,091)	5,511	N/A	326	(2,056)	1,240	N/A
5	Experience Gain/(Loss) adjustments on plan assets	174	2,149	(47)	N/A	973	242	(467)	N/A

(K) Contributions expected to be paid to the plan during the next financial year Rs. 35,000(000's) (previous year- Rs. 26,000(000's)).

25 Previous year's figures have been regrouped/restated wherever necessary to conform with this year's classification.

Signature to Schedules 1 to 19

M.A. Mehta
Company Secretary

G.Swarup
A.R. Broacha
D.N.Damania
W. Spiegel

Chairman
Directors
Managing Director

Mumbai, 24th February, 2011

Consolidated Balance Sheet as at 31st December, 2010

	Schedule	As at 31st December, 2010 Rs. in 000's	As at 31 st December, 2009 Rs. in 000's
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a. Share Capital	1	174,039	174,039
b. Reserves And Surplus	2	3,760,497	3,378,841
		3,934,536	3,552,880
2 LOAN FUNDS			
a. Secured Loans	3	136,161	73,302
b. Unsecured Loans	4	1,112	1,957
		137,273	75,259
	Total	4,071,809	3,628,139
APPLICATION OF FUNDS			
1 FIXED ASSETS	5		
a. Gross Block		3,095,197	2,644,542
b. Less : Depreciation/Amortisation		1,581,936	1,399,703
c. Net block		1,513,261	1,244,839
d. Add: Capital work in progress		60,605	296,876
e. Add: Capital advances		26,379	37,464
		1,600,245	1,579,179
2 INVESTMENTS	6	332,982	275,663
3 DEFERRED TAX BALANCE			
a. Deferred tax Asset		129,981	96,018
b. Deferred tax Liability		83,078	76,461
		46,903	19,557
4 CURRENT ASSETS, LOANS AND ADVANCES			
a. Inventories	7	1,585,005	1,163,447
b. Sundry debtors	8	1,138,409	1,047,660
c. Cash and bank balances	9	1,010,444	987,689
d. Loans and advances	10	653,844	533,964
		4,387,702	3,732,760
5 LESS : CURRENT LIABILITIES AND PROVISIONS			
a. Current Liabilities	11	1,873,744	1,572,370
b. Provisions	12	422,279	406,650
		2,296,023	1,979,020
NET CURRENT ASSETS		2,091,679	1,753,740
	Total	4,071,809	3,628,139

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup Chairman

A.R. Broacha }
D.N.Damania } Directors

W. Spiegel Managing Director

Mumbai, 24th February, 2011

Consolidated Profit and Loss Account for the year ended 31st December, 2010

	Schedule	Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
INCOME				
Sale of products and services (Gross)		6,432,683		5,930,890
Less : Excise duty		330,473		277,860
Sale of products and services (Net)			6,102,210	5,653,030
Other Income	13		151,602	84,394
			6,253,812	5,737,424
EXPENDITURE				
Materials	14		3,021,602	2,553,616
Payments to and provisions for employees	15		918,315	798,576
Other expenses	16		1,388,621	1,183,729
Interest	17		5,345	18,313
Depreciation/Amortisation			207,419	203,409
			5,541,302	4,757,643
Less : Amount Capitalised, etc.			13,255	11,438
			5,528,047	4,746,205
Profit before tax			725,765	991,219
Less : Provision for taxation - Current tax		259,500		354,820
- Deferred tax		(27,346)		(8,955)
- Fringe benefit tax		-		2,400
			232,154	348,265
Profit after tax			493,611	642,954
Add : Excess / (Short) provision for current taxation in respect of earlier years			(119)	(2,522)
Net Profit before share of profit of associates			493,492	640,432
Add : Share of profit for the year in respect of investment in Associate Company			90,411	67,488
Net Profit			583,903	707,920
APPROPRIATIONS				
a. Dividend				
Interim			34,808	34,808
Final (proposed)			139,231	182,741
			174,039	217,549
b. Tax on interim dividend [net of Rs.704(000)]; (Previous year Rs. Nil) excess provision written back with respect to previous year)			5,083	6,766
c. Tax on proposed final dividend			23,125	31,057
d. Transfer to General Reserve			55,000	70,000
e. Balance carried to Balance Sheet			326,656	382,548
			583,903	707,920
Basic/Diluted Earnings per Equity Share (Nominal Value per share Rs. 10) in Rs.			33.55	40.68

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup

Chairman

A.R. Broacha
D.N.Damania

Directors

W. Spiegel

Managing Director

Mumbai, 24th February, 2011

Cash Flow Statement for the year ended 31st December, 2010

CONSOLIDATED

	2010		2009	
	Rs.in '000s	Rs.in '000s	Rs.in '000s	Rs.in '000s
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		725,765		991,219
Adjustment for :				
Depreciation	207,419		203,409	
Unrealised exchange (gain) / loss	(1,357)		(3,003)	
Interest expense	5,345		18,313	
(Profit)(-)/ Loss (+) on sale of fixed assets (net)	(2,221)		(7,317)	
Interest income	(73,570)		(40,376)	
		<u>135,616</u>		<u>171,026</u>
Operating profit before changes in Working Capital		861,381		1,162,245
Adjustments for changes in Working capital and Provisions :				
Trade receivables	(90,749)		331,093	
Loans and advances	(88,374)		(113,505)	
Inventories	(421,558)		168,741	
Current Liabilities	301,396		(19,995)	
Provisions	81,453		10,508	
		<u>(217,832)</u>		<u>376,842</u>
Cash generated from operations		643,549		1,539,087
Direct taxes paid (including fringe benefit tax)		(292,151)		(362,229)
Net Cash from Operating activities		351,398		1,176,858
B CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets :				
Purchase	(229,792)		(389,937)	
Sale	2,683		9,793	
Investments :				
Sale	17		402	
Interest received	60,214		32,517	
Income from investments received	33,075		25,725	
		<u>(133,803)</u>		<u>(321,500)</u>
Net Cash utilised in investing activities		(133,803)		(321,500)
C CASH FLOW FROM FINANCING ACTIVITIES				
Working capital borrowings	62,859		(236,326)	
Interest paid	(5,345)		(18,313)	
Dividends	(217,571)		(95,780)	
Tax on dividends	(36,140)		(17,118)	
		<u>(196,197)</u>		<u>(367,537)</u>
Net Cash from / used in financing activities		(196,197)		(367,537)
D UNREALISED EXCHANGE GAIN / (LOSS) IN CASH AND CASH EQUIVALENTS		1,357		3,003
E NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		22,755		490,824
Cash and Cash Equivalents (Opening balance)		987,689		496,865
Cash and Cash Equivalents (Closing balance)		1,010,444		987,689

Cash Flow Statement for the year ended 31st December, 2010 (Contd.) **CONSOLIDATED**

Notes :

- Figures in brackets represent outflows of cash and cash equivalents.
- Purchase of fixed assets include payments for items in capital work-in-progress and advances of capital nature. Adjustment for increase/decrease in Current Liabilities related to the acquisition of fixed assets has not been made as these figures are not readily ascertainable and therefore would form part of changes in working capital.
- Cash and cash equivalents comprise of :

	As at 31st Dec. 2010 Rs.in '000s	As at 31st Dec. 2009 Rs.in '000s	As at 31st Dec. 2008 Rs.in '000s
Cash, Cheques, Stamps on hand and remittance in transit	370	378	620
Balance with Scheduled banks on :			
Current account :			
Unclaimed dividend account (restricted)	2,091	2,113	2,171
Others	295,683	284,590	211,670
Fixed Deposit account			
- Restricted	165,953	280,300	228,133
- Others	546,347	420,308	54,271
	<u>1,010,444</u>	<u>987,689</u>	<u>496,865</u>

Per our report attached to the Balance Sheet
For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.A. Mehta
Company Secretary

Pune, 24th February, 2011

G.Swarup Chairman

A.R. Broacha }
D.N.Damania } Directors

W. Spiegel Managing Director

Mumbai, 24th February, 2011

SCHEDULES TO THE BALANCE SHEET

CONSOLIDATED

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's					
1 SHARE CAPITAL							
Authorised : 20,000,000 (previous year - 20,000,000) Equity Shares of Rs.10 each	200,000	200,000					
Issued, subscribed and paid up : 17,403,922 (previous year -17,403,922) Equity Shares of Rs.10 each fully paid up	174,039	174,039					
2 RESERVES AND SURPLUS							
Description	Amalgamation Reserve Rs. in 000's	Capital Reserve Rs. in 000's	Capital Redemption Reserve Rs. in 000's	Share Premium Rs. in 000's	General Reserve Rs. in 000's	Profit & Loss Account Rs. in 000's	Reserves and Surplus Total Rs. in 000's
As at 31st December, 2009	61 (61)	87 (87)	100 (100)	3,196 (3,196)	973,018 (903,018)	2,402,379 (2,019,831)	3,378,841 (2,926,293)
Transferred from / (to)	-	-	-	-	55,000	326,656	381,656
Profit and Loss Account	-	-	-	-	(70,000)	(382,548)	(452,548)
As at 31st December, 2010	61 (61)	87 (87)	100 (100)	3,196 (3,196)	1,028,018 (973,018)	2,729,035 (2,402,379)	3,760,497 (3,378,841)
	</						

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

DESCRIPTION	AT COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE	
	As at 31st December 2009	Additions during the year	Deductions during the year	As at 31st December, 2010	Upto 31st December, 2009	Provided during the year	Deductions during the year	Upto 31st December, 2010	As at 31st December, 2010	As at 31st December, 2009
Tangible Assets										
Freehold land	3,009	-	-	3,009	-	-	-	-	3,009	3,009
Leasehold land	15,505	-	-	15,505	2,613	201	-	2,814	12,691	12,892
Buildings (see note)	393,014	96,502	97	489,419	178,811	28,198	97	206,912	282,507	214,203
Plant and Machinery	2,062,378	364,929	23,248	2,404,059	1,092,152	157,336	23,044	1,226,444	1,177,615	970,226
Furniture and fixtures	67,665	3,882	91	71,456	44,776	9,996	91	54,681	16,775	22,889
Development of property	41	-	-	41	41	-	-	41	-	-
Vehicles	32,566	7,320	716	39,170	17,115	8,786	514	25,387	13,783	15,451
Leased Assets - Vehicles	5,370	-	1,496	3,874	4,607	326	1,440	3,493	381	763
Intangible Assets										
(other than internally generated)										
Software	17,154	3,487	-	20,641	15,135	1,863	-	16,998	3,643	2,019
Rights, techniques, process and technical know-how	47,840	183	-	48,023	44,453	713	-	45,166	2,857	3,387
TOTAL	2,644,542	476,303	25,648	3,095,197	1,399,703	207,419	25,186	1,581,936	1,513,261	1,244,839
Previous year	2,314,391	391,761	61,610	2,644,542	1,255,428	203,409	59,134	1,399,703	60,605	296,876
Capital work-in-progress									26,379	37,464
Capital advances									1,600,245	1,579,179

NOTE:

Buildings include Rs. 10,750 (previous year - Rs.10,750) being the cost of shares in co-operative housing/industrial societies.

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
6 INVESTMENTS		
LONG TERM :		
Unquoted		
In Associates		
Carrying cost of investment in Associate (See note 17 of Schedule 19) (including Rs. 24,520,000 (previous year - Rs. 24,520,000) of goodwill arising on acquisition of Associate)	332,581	275,245
In Government securities :		
National Savings Certificate (pledged certificates of Rs.Nil; previous year -Rs.17,000 with various Government authorities)	-	17
Indira Vikas Patra	1	1
Others :		
15,995 (previous year - 15,995) shares of Rs.25 each fully paid in Mula Pravara Electric Co-operative Society Limited	400	400
	<u>332,982</u>	<u>275,663</u>
7 INVENTORIES		
Stores and spare parts	21,735	20,948
Loose tools	21,175	15,459
Stock-in-trade :		
Raw materials and bought-out components	429,946	376,418
Work-in-progress	760,374	568,053
Finished goods	351,775	182,569
	<u>1,585,005</u>	<u>1,163,447</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

	Rs. in 000's	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
8 SUNDRY DEBTORS			
(Unsecured)			
Debts outstanding for a period exceeding six months			
Considered good	91,041		117,271
Considered doubtful	51,969		74,985
		143,010	192,256
Other debts			
Considered good	1,047,368		930,389
Considered doubtful	17,926		-
		1,065,294	930,389
		1,208,304	1,122,645
Less : Provision for Doubtful Debts		69,895	74,985
		1,138,409	1,047,660
9 CASH AND BANK BALANCES			
Cash on hand		370	378
Balance with scheduled banks on:			
Fixed deposits (including Rs. - 165,953,000	712,300		700,608
pledged with the banks, previous year -			
Rs. 280,300,000)			
Current accounts	297,774		286,703
		1,010,074	987,311
		1,010,444	987,689
10 LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Advances recoverable in cash or in kind			
or for value to be received			
Considered good *	516,589		419,735
Considered doubtful	5,315		7,387
	521,904		427,122
Less : Provision for doubtful advances	5,315		7,387
		516,589	419,735
Balance with Central Excise authorities		727	1,880
Taxes paid in advance less provisions (current tax)		136,528	110,148
Fringe benefit tax in advance		-	2,201
		653,844	533,964

* includes amount receivable from Company under the same management:KSB Tech Private Ltd. Rs. 5,645 (in 000's) (Previous year - Rs. Nil)

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

	As at 31st December, 2010 Rs. in 000's	As at 31st December, 2009 Rs. in 000's
11 CURRENT LIABILITIES		
Sundry creditors :		
Total outstanding dues of Micro enterprises and small enterprises	1,891	1,325
Total outstanding dues of creditors other than Micro enterprises and small enterprises	1,433,508	1,256,137
	1,435,399	1,257,462
Other Liabilities (including unclaimed dividends)	86,776	80,504
Advance from customers	351,569	234,404
	1,873,744	1,572,370
12 PROVISIONS		
Proposed dividend	139,231	182,741
Warranties	17,688	16,756
Leave Encashable	105,606	100,032
Gratuity	68,119	25,055
Other provisions	66,130	34,247
Tax provision less payments (current tax)	2,380	16,762
Tax on proposed final dividend	23,125	31,057
	422,279	406,650

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

CONSOLIDATED

	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
13. OTHER INCOME		
Interest on Bank Deposits, delayed payments from dealers/customers, Income tax refunds, etc.	73,570	40,376
(Tax deducted at source -Rs. 6,029,001; previous year - Rs. 6,419,585)		
Sundry credit balances & Provisions no longer required, written back	10,593	-
Profit /Loss on sale / write off of fixed assets (net) (including on sale of leased assets)	2,221	7,317
Exchange Gain (net)	29,468	8,054
Miscellaneous income	35,750	28,647
	<u>151,602</u>	<u>84,394</u>
14. MATERIALS		
a Raw materials and components consumed	3,348,834	2,429,479
b Purchase for resale	34,295	24,571
c (Increase)/decrease in stock of Work in progress and Finished goods		
Opening Work in progress	568,053	690,604
Opening Finished goods	182,569	159,584
	<u>750,622</u>	<u>850,188</u>
Closing Work in progress	760,374	568,053
Closing Finished goods	351,775	182,569
	<u>1,112,149</u>	<u>750,622</u>
	<u>(361,527)</u>	<u>99,566</u>
	<u>3,021,602</u>	<u>2,553,616</u>
15 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus	755,615	687,785
[including provision for Leave Encashment Rs. 5,574 (000's); previous year - provision Rs. 14,772,(000's)]		
Contribution to Provident funds and other funds (including provision for Gratuity Rs.43,064(000's); previous year - provision written back Rs. 306(000's))	101,539	59,197
Staff welfare expenses	61,161	51,594
	<u>918,315</u>	<u>798,576</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd.)

CONSOLIDATED

		Year ended 31st December, 2010	Year ended 31st December, 2009
	Rs. in 000's	Rs. in 000's	Rs. in 000's
16 OTHER EXPENSES			
Processing & Machining charges		201,089	188,122
Stores consumed		113,885	87,362
Tools consumed		39,791	46,759
Water, power and fuel		114,101	90,308
Rent		6,303	5,702
Excise duty relating to increase / decrease in finished goods stock		11,547	2,503
Rates and taxes (See note 11 -Schedule 19)		44,725	5,926
Insurance (net)		8,923	7,402
Repairs and maintenance:			
Buildings	19,371		19,983
Machinery (See note 4-Schedule 19)	45,774		30,715
Others	53,526		44,589
		118,671	95,287
Travelling expenses		72,196	47,945
Packing & Forwarding (net of recoveries - Rs. 33,925,799 previous year-Rs.23,464,079)		156,853	119,886
Directors' fees		370	365
Auditors' remuneration (net of service tax) and expenses:			
Audit fees	1,320		1,020
Tax audit fees	250		250
Accounts for tax purposes	360		360
Company Law matters	10		12
Taxation matters	-		20
Fees for other services [includes Rs. Nil with respect to earlier year (previous year - Rs. 2,00,000)]	1,166		1,130
Reimbursement of out of pocket expenses	144		111
		3,250	2,903
Cost audit fees (net of service tax)		160	160
Commission:			
Sole selling agents	63,277		97,730
Other selling agents	23,814		16,184
		87,091	113,914
Cash and quantity discount		82,616	65,650
Royalty charges		10,448	4,654
In respect of late delivery under contracts		10,761	26,352
Provision for doubtful debts and advances (net)		(7,162)	30,318
Legal & Professional charges (including SAP implementation expenses - Rs. 4,110,500 ; previous year - Rs. 8,003,000)		26,001	26,941
General Charges		287,002	215,270
		1,388,621	1,183,729
17 INTEREST			
Interest on fixed period loans		2,936	4,247
Others		2,409	14,066
		5,345	18,313

SCHEDULE 18

CONSOLIDATED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Fixed assets and depreciation/amortisation:

(a) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.

(b) Depreciation/amortization on fixed assets:

i) Depreciation on tangible fixed assets is provided at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 on the written down value (WDV) method in respect of buildings, furniture and fixtures and vehicles and on the straight line method (SLM) in respect of other assets. However, the rate of depreciation in respect of the following assets is higher :-

Jigs & fixtures - 33% (SLM)

Furniture & fixtures - 37% (WDV)

Office equipments - 10% (SLM)

Electrical installations - 10% (SLM)

Vehicles - 60% (WDV)

Leasehold land and assets taken on lease are amortised over the period of the lease.

ii) Intangible assets are amortised on the straight line method at the following rates :

Rights, techniques,
Process and Know how - 14.29 %, 20 %

Software - 33%

2. Investments:

Long-term Investments, other than in associate Companies, are valued at cost of acquisition and related expenses. Provision is made for other than temporary diminution, if any, in the value of such investments. Investments in associate Companies are accounted for under the equity method.

3. Inventories:

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used for industrial valves, submersible pumps, industrial pumps, pumps for power projects and castings. Hitherto, the cost of raw materials, components, stores, spares and loose tools for castings were determined using the first-in-first-out (FIFO) method. The impact on valuation of inventories and profit for the year, consequent to the change in the method of valuation, is not material.

Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.

4. Sundry debtors and advances:

Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.

5. Foreign exchange transactions :

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Realised gains and losses as also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Profit and Loss account. Premium/Discount in respect of Forward Contracts is accounted for over the period of contract.

6. Revenue Recognition :

(i) Sales of goods is recognised on shipment or despatch to customers.

(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.

(iii) Income from services rendered is accounted for when the work is performed.

7. Employee Benefits:

Employee benefits includes gratuity, superannuation and provident fund and leave encashment benefits under the approved schemes of the Company.

In respect of defined contribution plans, the contribution payable for the year is charged to the Profit and Loss Account.

In respect of defined benefit plans and other long term employee benefits, the employee benefit costs is accounted for based on an actuarial valuation as at the Balance sheet date.

8. Product Warranty :

Cost of product warranties is disclosed under the head

(i) 'raw materials and components consumed' as consists of free replacement of spares.

(ii) 'general charges' which includes provision for warranties.

9. Taxes on Income :

Tax expense for the year is included in the determination of the net profit for the year.

Deferred tax is recognised on all timing differences, subject to consideration of prudence in respect of deferred tax assets.

10. Leases :

Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

11. Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

12. Cash Flow Statement:

The Cash Flow statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.

13. Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognized in the year in which the results are known/materialized.

14. Provisions, Contingent Liabilities and Contingent Assets:

As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for:

- (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more

uncertain future events not wholly within the control of the Company; or

- (ii) Any present obligation that arises from past events but is not recognized because-

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

15. Earnings per share

The company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share.

Basic earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

SCHEDULE 19

CONSOLIDATED

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

1. Contingent liabilities not provided in respect of:
 - (i) taxation matters in dispute pending at various stages of appeal Rs. 42,271,000 (previous year - Rs. 42,765,642);
 - (ii) claims against the Company not acknowledged as debts Rs.5,481,000 (previous year - Rs. 2,569,000);
 - (iii) bills discounted/cheques purchased with banks Rs. 20,281,403; (previous year - Rs. 20,824,548);
 - (iv) excise matters - Rs. 49,975,869 (previous year - Rs. 46,989,068);
2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 54,289,595 (previous year - Rs. 70,307,175).
3. Guarantees amounting to Rs. 934,906,075 (previous year - Rs. 693,489,196) have been given by the bankers on behalf of the Company, and are secured by the hypothecation of stocks (including loose tools, stores and spares) and book debts.
4. Repairs to machinery include Rs. 25,896,138 (previous year - Rs. 17,810,796) spares consumed.
5. Managerial remuneration under Section 198 of the Companies Act, 1956, to the Directors:

	Year ended 31st December, 2010 Rs. in 000's	Year ended 31st December, 2009 Rs. in 000's
Salary	1,620	1,620
Commission	3,260	3,210
Contribution to Provident Fund	194	194
Perquisites in cash or kind	931	1,083
Directors' fees	370	365
Total	<u>6,375</u>	<u>6,472</u>

Note: Excludes contribution for gratuity, superannuation and personal accident insurance premium and the liability for encashable leave as the figures for directors are not separately available.

6. Research and Development expenditure debited to the Profit and Loss Account aggregating Rs. 4,748,150 (previous year - Rs. 5,669,000) has been incurred by the Company and disclosed under appropriate account heads.
7. The net exchange differences arising during the year recognised appropriately in the profit and loss account - net gain- Rs. 29,468,073 (previous year - net gain Rs. 8,053,787)
8. Particulars of assets taken on finance lease on or after 1st April,2001:
 - (i) Total minimum lease payments as at the balance sheet date is Rs. 1,227,972 (previous year - Rs. 2,213,256) and the present value of total minimum lease payments as at the balance sheet date is Rs. 1,112,260 (previous year - Rs. 1,957,080). The difference represents the finance charge payable in the future.
 - (ii) Total of minimum lease payments at the balance sheet date:

Payable	Total minimum lease payments at the balance sheet date		Present value of minimum lease payments	
	Current year Rs.	Previous year Rs.	Current year Rs.	Previous year Rs.
Not later than one year	752,204	990,894	727,409	842,216
Later than one year and not later than five years	475,768	1,222,362	384,851	1,114,864
Later than five years	-	-	-	-

- (iii) The aforesaid leasing arrangements are in respect of vehicles. The lease period ranges from five years to seven years.

9 Segment Information :

(A) Primary segments - Business Segments

SCHEDULE 19 (Contd.)

CONSOLIDATED

	Pumps		Valves		Others		Elimination		Total Amount	
	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s
a Segment Revenue										
Sales to External Customers	5,059,965	4,795,956	1,034,335	853,129	7,910	3,945	—	—	6,102,210	5,653,030
Inter Segment Revenue	—	—	6,313	3,930	382,964	291,133	(389,277)	(295,063)	—	—
Total Segment Revenue	5,059,965	4,795,956	1,040,648	857,059	390,874	295,078	(389,277)	(295,063)	6,102,210	5,653,030
b Segment Results	648,390	888,967	52,219	111,252	(2,671)	1,802	—	—	697,938	1,002,021
Unallocated Corporate expenses									(40,398)	(32,865)
Interest expense									(5,345)	(18,313)
Interest income									73,570	40,376
Profit before tax									725,765	991,219
Income taxes-Current Tax									(259,500)	(354,820)
Deferred Tax									27,346	8,955
Fringe benefit tax									—	(2,400)
Profit after tax									493,611	642,954
Excess /(short) provision for current taxation in respect of earlier years									(119)	(2,522)
Net profit									493,492	640,432
c Segment Assets	3,482,209	3,183,359	1,028,833	779,207	329,933	249,335			4,840,975	4,211,901
Unallocated Corporate Assets									1,526,857	1,395,258
Total Assets									6,367,832	5,607,159
d Segment Liabilities	(1,684,866)	(1,423,495)	(354,741)	(243,795)	(89,589)	(79,057)			(2,129,196)	(1,746,347)
Unallocated Corporate Liabilities									(304,100)	(307,932)
Total Liabilities									(2,433,296)	(2,054,279)
e Cost incurred during the period to acquire	83,190	203,476	17,330	67,885	129,272	118,576				
Segment fixed assets										
f Depreciation / Amortisation	147,450	158,683	42,549	36,342	17,420	8,384				
g Non-cash expenses other than depreciation/ amortisation	—	30,318	—	—	—	—				

Notes :

- Inter-segment transfers have been priced on arm's length basis.
- Pumps segment includes manufacturing / trading of all types of pumps like industrial, submersible, effluent treatment, etc and spares and services in respect thereof.
 - Valves segment consists basically of manufacturing and trading of industrial valves and spares and services in respect thereof.
 - "Others" represents manufacture of castings.

(B) Secondary segments - Geographical Segments

	Domestic		Export		Total	
	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2009 Rs. '000s
Segment revenue by geographical area based on geographical location of customers (including sales, services, export incentives, etc.)	5,360,857	4,820,542	741,353	832,488	6,102,210	5,653,030

Note:

The Company's operating facilities are located in India

SCHEDULE 19 (Contd.)

CONSOLIDATED

10 Related party disclosures

(A) Name of the related party and nature of relationship where control exists:

Name of the party	Nature of relationship
1. KSB AG	Controlling Company
2. Canadian Kay Pump Ltd.	Controlling Company
3. Klein Pumpen GmbH	Controlling Company

(B) Related Party Transactions:

Nature of transactions	Controlling Companies	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Purchase of goods	9,537 (14,345)	4,146 (—)	31,204 (30,922)	— (—)	— (—)	— (—)	— (—)	— (—)	44,887 (45,267)
Purchase of Fixed Assets	—	—	393	—	—	—	—	—	393
Sale of goods	261,448 (242,434)	— (—)	255,357 (407,708)	— (—)	— (—)	— (—)	— (—)	8,659 (3,568)	525,464 (653,710)
Income from services	14,290 (11,087)	— (—)	10,257 (6,912)	— (—)	— (—)	— (—)	— (—)	— (—)	24,547 (17,999)
Order Cancellation Charges	1,576 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1,576 (—)
Site expenses paid	160 (372)	— (—)	2,428 (3,671)	— (—)	— (—)	— (—)	— (—)	— (—)	2,588 (4,043)
Commission income	59,245 (11,618)	— (—)	2,335 (3,525)	— (—)	— (—)	— (—)	— (—)	— (—)	61,580 (15,143)
Commission paid	—	—	63,277	—	—	—	—	—	63,277
Dividend received	—	33,075 (25,725)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	33,075 (25,725)
Charges paid for technical / Professional services	53,845 (17,889)	— (—)	12,421 (11,040)	— (—)	— (—)	— (—)	— (—)	— (—)	66,266 (28,929)

SCHEDULE 19 (Contd.)

CONSOLIDATED

Nature of transactions	Controlling Companies	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Royalty paid	9,967 (4,288)	- (-)	286 (144)	- (-)	- (-)	- (-)	- (-)	- (-)	10,253 (4,432)
Warranty charges paid	-	-	-	-	-	-	-	-	-
Rent received	-	1,610 (1,464)	-	-	-	-	-	-	(332) 1,610 (1,464)
Recovery of expenses	522 (620)	9,885 (-)	3,251 (2,019)	- (-)	- (-)	- (-)	- (-)	-	13,658 (2,700)
Reimbursement of expenses	591 (-)	-	85 (6,201)	- (-)	- (-)	- (-)	- (-)	-	676 (6,201)
Technical knowhow	1,717 (3,611)	-	-	-	-	-	-	-	1,717 (3,611)
Remuneration	-	-	-	3,555 (3,707)	-	-	-	-	3,555 (3,707)
Sitting fees paid	-	-	-	-	-	65	-	-	65
Dividend paid	88,193 (38,805)	-	-	-	-	(80)	488 (214)	55,348 (24,364)	(80) 144,242 (63,590)
Commission to Directors	-	-	-	-	-	350 (400)	-	-	350 (400)
Amounts outstanding at year end									
- Receivable	53,596 (83,288)	2,389 (3,017)	75,294 (143,670)	- (-)	- (-)	- (-)	- (-)	2,723 (1,211)	134,002 (231,186)
- Payable	49,319 (57,489)	-	142,738 (189,711)	-	-	350 (400)	-	68 (89)	192,475 (247,689)
Provision for doubtful debts	-	-	69	-	-	-	-	-	69
	(-)	(-)	(69)	(-)	(-)	(-)	(-)	(-)	(69)

Notes:-

1) Previous year's figures are shown within brackets.

SCHEDULE 19 (Contd.)

CONSOLIDATED

2) The related parties included in the various categories above, where transactions have taken place are given below:

Controlling Companies	KSB AG Canadian Kay Pump Ltd.
Associate Company	MIL Controls Ltd.
Common Control	<p>KSB S.A.</p> <p>KSB Inc., USA</p> <p>KSB Pumps (S.A.) (Pty.) Ltd., South Africa</p> <p>KSB Australia</p> <p>KSB Chile S.A.</p> <p>KSB Singapore (Asia Pacific) PTE Ltd.Singapore</p> <p>KSB Limited, Hongkong</p> <p>KSB Pumps Co.Ltd., Thailand</p> <p>P.T. KSB., Indonesia</p> <p>KSB Taiwan Co.Ltd.</p> <p>KSB Ltd, Tokyo</p> <p>KSB Brazil</p> <p>KSB Korea</p> <p>KSB Mexico</p> <p>KSB Nederland</p> <p>DP Industries B.V., Nederland</p> <p>KSB Pumps Arabia Ltd.</p> <p>KSB Ltd., U.K.</p> <p>KSB Italia S.p.A., Italy</p> <p>KSB Pompa Turkey</p> <p>KSB Shanghai Pump Co. Ltd., China</p> <p>KSB Valves (Shanghai) Co. Ltd., China</p> <p>Mercantile-KSB Oy AB, Finland</p>

Common Control (Contd.)	<p>KSB Pakistan</p> <p>Delian KSB Amri Valves Co. Ltd., China</p> <p>Bombas ITUR S.A., Spain</p> <p>KSB TESMA S.A., Griechenland</p> <p>KSB Tech. Pvt. Ltd., India</p> <p>GIW Industries Inc., USA</p> <p>KSB Middle East FZE, Dubai</p> <p>KSB Pumpy + Armatyry spol. st. o. Czech</p> <p>KSB Service LLC</p> <p>KSB Pompy Armatura Poland</p> <p>KSB Compania Sudamericana</p> <p>KSB Belgium SA</p> <p>KSB China</p> <p>KSB Pumps & Valves Malaysia</p> <p>KSB Finanz SA</p> <p>KSB AMV SA Spain</p> <p>KSB Finland</p> <p>KSB Mork AB , Sweden</p> <p>KSB Lindflaten, Norway.</p> <p>KSB Ajax Pumps PTY</p>
Key Management Personnel	Mr. W. Spiegel
Individuals having significant influence over the enterprise	Mr. Gaurav Swarup
Relatives of individuals having significant influence over the enterprise	<p>Mrs. Gyan M Swarup</p> <p>Mahendra Swarup & Sons HUF</p> <p>Mr. Vikram Swarup</p> <p>Mrs. Bindu Swarup</p> <p>Mrs. Parul Swarup</p>
Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	<p>The Industrial & Prudential Investment Co. Ltd.</p> <p>New Holding and Trading Company Ltd.</p> <p>Paharpur Cooling Towers Ltd.</p>

SCHEDULE 19 (Contd.)

CONSOLIDATED

- 11 Details of provisions and movements in each class of provisions as required by the Accounting Standard on 'Provisions, Contingent Liabilities and Contingent Assets' (AS-29)

(Rs in '000)

Particulars	Year 2010		Year 2009	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
Carrying amount at the beginning of the year	16,756	34,247	13,481	41,480
Additional Provision made during the year	22,210	66,130	17,200	34,247
Amount used during the year	(20,455)	-	(13,925)	-
Unused amount reversed during the year	(823)	(34,247)	-	(41,480)
Carrying amount at the end of the year	17,688	66,130	16,756	34,247

Brief description of the nature of the obligation and expected timing of resulting outflows of economic benefits:-

- 1) Warranty :- Warranty costs are accrued at the time products are sold, based on past experience. The provision is discharged over the warranty period of 18 months from the date of sale.
 - 2) Other Provisions (for Statutory levies) :-
Other provision (for statutory levies) are provisions made for potential statutory liabilities expected to be settled within one year.
12. (a) Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2010 as reduced by the provision for 9 months up to 31st December, 2009 and the provision based on the figures for the remaining 9 months up to 31st December, 2010. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2010 will be determined based on the results for the year 1st April, 2010 to 31st March, 2011.
- (b) (i) Break up of deferred tax liability: (Rs. in '000)

Nature of timing difference	As at 31 st December, 2010	As at 31 st December, 2009
	83,078	76,461
Provision for Depreciation		

- (ii) Break up of deferred tax asset:

Nature of timing difference	As at 31 st December, 2010	As at 31 st December, 2009
	57,707	42,517
Provision for Leave encashment & Gratuity		
Provision for Doubtful debts and advances	24,983	27,998
Other items	47,291	25,503
Total	129,981	96,018

13. Earnings per Share

- (a) The amount used as the numerator in calculating basic and diluted earnings per share is the Net Profit for the year disclosed in the Profit and Loss Account.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 17,403,922.

- 14) a) Details of Derivative Instruments (for hedging)

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's		Purpose
	Current Year	Previous Year	Current Year	Previous Year	
Forward cover	USD 7,273,666 Euro 155,880	USD 8,420,900 Euro 71,200	338,522 9,628	404,716 5,048	Covering Debtors and future sales
Forward cover	Euro 42,480 USD 190,000 AUD -	Euro 290,760 USD 662,950 AUD 26,127	2,668 8,617 -	20,299 31,325 1,092	Covering Creditors and future purchases

SCHEDULE 19 (Contd.)

CONSOLIDATED

b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise :

Particulars	Amount in foreign currency				Equivalent amount Rs. in 000's	
	Current Year		Previous Year		Current Year	Previous Year
Sundry creditors	Euro	1,093,508	Euro	526,583	65,645	35,306
	USD	3,004,760	USD	4,135,145	135,192	195,801
Sundry Debtors	USD	1,592,882	USD	2,626,837	69,559	116,559
	Euro	734,492	Euro	116,200	43,365	7,678
Bank balances	USD	2,323,790	USD	583,468	103,618	26,875
	Euro	31,105	Euro	3,210	1,836	212

15. Details of Employee Benefits as required by the Accounting Standard 15 (Revised) Employee benefits are as under:

(A) Defined Contribution Plan

Amount recognised as an expense in the Profit and Loss Account in respect of Defined Contribution Plans is Rs. 35,699,623 (previous year - Rs. 34,969,368)

(B) Defined Benefit Plan

- Actuarial gains and losses in respect of defined benefit plans are recognised in the Profit & Loss Account.
- The Defined Benefit Plans comprise of Gratuity and superannuation.

Gratuity is a benefit to an employee based on 15/20/25/30 days (depending on the grade/ category of the employee and the completed years of service) last drawn salary for each completed year of service.

Superannuation is a benefit to certain employees at Rs. 1000 / 500 / 250 (depending on the grade / category of the employee and the completed years of service) per month for each completed year of service.

Both the plans are funded.

Amount Rs. In 000's

	Particulars	Gratuity		Superannuation	
		Year 2010	Year 2009	Year 2010	Year 2009
(C)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :				
1	Present Value of Defined Benefit Obligation as at 1st January	198,524	175,006	18,625	17,321
2	Current Service cost	10,372	11,801	1,192	1,072
3	Interest cost	15,408	10,984	1,509	1,161
4	Losses (gains) on Curtailment	-	-	-	-
5	Liabilities extinguished on settlements	-	-	-	-
6	Plan amendments	28,756	-	-	-
7	Actuarial (gains) / losses	23,753	11,448	408	1,021
8	Benefits paid	(16,599)	(10,715)	-	(1,950)
9	Present Value of Defined Benefit Obligation as at 31st December	260,214	198,524	21,734	18,625
(D)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1	Fair value of Plan assets as at 1st January	173,469	149,645	19,601	18,782
2	Expected return on plan assets	14,054	12,345	1,612	1,467
3	Actuarial gains and (losses)	174	2,149	973	242
4	Actual contributions by employers	20,997	20,045	1,100	1,060
5	Benefits paid	(16,599)	(10,715)	-	(1,950)
6	Plan assets as at 31st December	192,095	173,469	23,286	19,601
(E)	Analysis of Defined Benefit Obligation :				
1	Defined Benefit Obligation as at 31st December	260,214	198,524	21,734	18,625
2	Fair Value of Plan Assets at the end of year	(192,095)	(173,469)	(23,286)	(19,601)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	68,119	25,055	(1,552)	(976)

SCHEDULE 19 (Contd.)

CONSOLIDATED

Amount Rs. In 000's

	Particulars	Gratuity		Superannuation	
		Year 2010	Year 2009	Year 2010	Year 2009
(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	260,214	198,524	21,734	18,625
2	Fair value of plan assets	192,095	173,469	23,286	19,601
3	Funded status [Surplus/(Deficit)]	(68,119)	(25,055)	1,552	976
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/(Liability) recognised in Balance Sheet	(68,119)	(25,055)	1,552	976
(G)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	10,372	11,801	1,192	1,072
2	Interest cost	15,408	10,984	1,509	1,161
3	Expected return on plan assets	(14,054)	(12,345)	(1,612)	(1,467)
4	Curtailment cost/(credit)	-	-	-	-
5	Settlement cost/(credit)	-	-	-	-
6	Past Service cost	28,756	-	-	-
7	Actuarial Losses/(Gains)	23,579	9,299	(565)	779
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	64,061	19,739	524	1,545
(H)	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"				
(I)	Actuarial Assumptions				
1	Discount Rate (%)	8.10	8.10	8.10	8.10
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	6.00	1.00	6.00	1.00

- a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.
- b) Expected Rate of Return of Plan Assets : This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations
- c) Salary Escalation Rate : The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors

Amount Rs. In '000s

	Particulars	Gratuity				Superannuation			
		Year 2010	Year 2009	Year 2008	Year 2007	Year 2010	Year 2009	Year 2008	Year 2007
(J)	Experience History								
1	Defined Benefit Obligation at the end of the period	260,214	198,524	175,006	128,126	21,734	18,625	17,321	15,077
2	Plan Assets at the end of the period	192,095	173,469	149,649	129,601	23,286	19,601	18,782	18,574
3	Funded Status	(68,119)	(25,055)	(25,361)	1,475	1,552	976	1,461	3,497
4	Experience Gain / (Loss) adjustments on plan liabilities	(7,556)	(14,091)	5,511	N/A	326	(2,056)	1,240	N/A
5	Experience Gain / (Loss) adjustments on plan assets	174	2,149	(47)	N/A	973	242	(467)	N/A

- (K) Contributions expected to be paid to the plan during the next financial year Rs. 35,000(000's) (previous year- Rs. 26,000(000's)).

SCHEDULE 19 (Contd.)

CONSOLIDATED

16. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS – 21) on “Consolidated Financial Statements”. The Subsidiary considered in the Consolidated Financial Statements are :

Name of the Company	Country of Incorporation	% of Voting power held	
		As at 31/12/2010	As at 31/12/2009
Pofran Sales & Agency Ltd.	India	100 %	100 %

- 17 (a) The Investment in Associate is accounted for in accordance with AS – 23 , ‘Accounting for Investment in Associates in Consolidated Financial Statements’ The details of associates, ownership interest, etc. is given below:-

For the year 2010:

Sr. no.	Name of Associate and country of Incorporation	Ownership Interest (%)	Original cost of Investment Rs in 000's	Amount of Goodwill in original cost Rs in 000's	Share of Accumulated Profit as at year end Rs in 000's	Carrying cost of Investment (net of dividend) Rs in 000's
1	MIL Controls Ltd.India	49	62,649	24,520	269,932	332,581

For the year 2009:

Sr. no.	Name of Associate and country of Incorporation	Ownership Interest (%)	Original cost of Investment Rs in 000's	Amount of Goodwill in original cost Rs in 000's	Share of Accumulated Profit as at year end Rs in 000's	Carrying cost of Investment (net of dividend) Rs in 000's
1	MIL Controls Ltd.India	49	62,649	24,520	212,596	275,245

- (b) The Associate Company follows a different accounting policy in respect of fixed assets. All the fixed assets are depreciated on the straight line method by the associate company. No adjustments have been made for the said differences in accounting policies to arrive at the share of profits of associate company, etc. as the said differences are not expected to have a material impact on the accounts of the Group.

18. Previous year's figures have been regrouped/restated wherever necessary to conform with this year's classification.

G.Swarup Chairman

A.R. Broacha }
D.N.Damania } Directors

M.A. Mehta
Company Secretary

W. Spiegel Managing Director

Mumbai, 24th February, 2011

AUDITORS' REPORT

CONSOLIDATED

The Board of Directors,
KSB Pumps Limited.
126, Maker Chambers III,
Nariman Point,
Mumbai 400021.

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF KSB PUMPS LIMITED AND ITS SUBSIDIARY

We have audited the attached consolidated balance sheet of KSB Pumps Limited and its subsidiary as at 31st December, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the KSB Pumps Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Pofran Sales and Agency Limited, a subsidiary, whose financial statements reflect total assets of Rs.31,893,345 as at 31st December 2010, the total revenues of Rs.17,622,317 and cash flows amounting to Rs.6,948,509 for the year then ended. These financial statements and other

financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statement.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of KSB Pumps Limited and its subsidiary as at 31st December, 2010;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
Registration No.: 117366W

Hemant Joshi
Partner
Membership No : 038019

Pune, 24th February, 2011

POFRAN SALES AND AGENCY LTD.

GENERAL INFORMATION — SUBSIDIARY

BOARD OF DIRECTORS

S. D. Dikshit (Chairman)
Vergheese Oommen
V. Ravi Shanker

REGISTERED OFFICE

104th Mile Stone
Mumbai Pune Road
Pimpri
Pune 411 018

BANKERS

Central Bank of India

AUDITORS

Joshi Apte & Company

BOARD'S REPORT

To
The Shareholders,

The Board of Directors are pleased to submit the report and audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 2010.

FINANCIAL RESULTS AND DIVIDEND

1. Financial Results

	Rs. in million	
	Year ended 31.12.2010	Year ended 31.12.2009
Sale of services	17.6	15.3
Profit before tax	16.4	14.2
Provision for tax on income	5.5	4.8
Profit after tax	10.9	9.4
Appropriation		
Interim Dividend	-	5.0
Tax on interim dividend	-	0.9
Transfer to General Reserve	-	1.0
Carried to Profit and Loss Account	10.9	2.5
Total	10.9	9.4

2. Dividend

For conservation of resources the Board of Directors do not propose any dividend.

GENERAL REVIEW

(i) Working

During the year under review the Company has earned Rs. 16.8 mio. by way of sale of services. Profit after tax is Rs. 10.9 mio. The Company expects to do better in future.

(ii) Fixed Deposits:

The Company has not accepted any Fixed Deposits.

DIRECTORS

As per Article 123 of the Articles of Association, Mr. V Ravi Shanker retires by rotation and he is eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departures;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

There were no particulars required to be given in accordance with section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

There is no information required to be disclosed in respect of above as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

AUDITORS

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

S.D. DIKSHIT
Chairman

Pune, 22nd February, 2011

POFRAN SALES AND AGENCY LTD.

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **POFRAN SALES AND AGENCY LIMITED**, as at 31st December 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st December 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2010 from being appointed as a director in terms of clause (g) of sub-section (1) section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2010;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Joshi Apte & Co.,
Chartered Accountants,
Registration No. 104370W

P. J. APTE
Partner

Pune, 22nd February, 2011

M. No. 33212

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF POFRAN SALES AND AGENCY LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010.

- 1) Since the Company does not have any Fixed Assets, this clause is not applicable to the Company.
- 2) The nature and activities of the Company are such that clause (ii) of the order regarding inventory is not applicable to the Company.
- 3) As per the information and explanations given to us the Company has not granted or taken any loans. Therefore, this clause is not applicable.
- 4) The Company has effected neither purchases nor sales of goods or fixed assets, therefore clause (iv) of the order pertaining to internal controls is not applicable to the Company.
- 5) There are no transactions made by the Company, which require to be entered into the register maintained under section 301 of the Companies Act, 1956.
- 6) As per the information and the explanations given to us, the Company has not accepted any deposits from the public.
- 7) Clause (vii) of the order regarding Internal Audit system is not applicable to the Company.
- 8) No cost records u/s 209(1)(d) have been prescribed for the activities carried out by the Company
- 9) According to the information and the explanations given to us in respect of statutory dues:
 - a) The Company has been regular in depositing undisputed statutory dues including Income Tax and Service Tax with the appropriate authorities during the year.
 - b) There are no disputed outstanding towards statutory dues
- 10) Clause (x) of the order regarding sickness is not applicable to the Company, since the Company has yet to complete five years from the date of its registration.
- 11) Clause (xi) of the order pertaining failure to pay its dues to Financial Institutions and Banks is not applicable to the Company since it has not borrowed any loans from them.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) Clause (xiii) of the order is not applicable to the Company as the Company is not a chit fund or nidhi / mutual benefit fund / society.
- 14) Clause (xiv) of the order is not applicable to the Company, as it does not deal in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from bank or financial institutions.
- 16) As per the information and the explanation given to us, the Company has not taken any term loans during the year.
- 17) As per the information and the explanation given to us, the Company has not raised any funds on short-term basis; therefore this clause is not applicable.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
- 19) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures by creating any charge against the Company's assets.
- 20) The Company has not raised monies by public issues during the year and hence the question of disclosure and verification of end use of such monies does not arise.
- 21) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Joshi Apte & Co.,
Chartered Accountants,
Registration No. 104370W

P. J. APTE
Partner

Pune, 22nd February, 2011

M. No. 33212

POFRAN SALES AND AGENCY LTD.

Balance Sheet as at 31st December, 2010

	Schedule	As at 31st December, 2010 Rs.	As at 31st December, 2009 Rs.
SOURCES OF FUNDS			
1 SHARHOLDERS' FUNDS			
a. Share Capital	1	500,000	500,000
b. Reserves And Surplus	2	31,393,345	20,503,564
Total		31,893,345	21,003,564
APPLICATION OF FUNDS			
1 CURRENT ASSETS, LOANS AND ADVANCES			
a. Sundry debtors	3	11,421,737	7,140,276
b. Cash and bank balances	4	19,475,431	12,526,922
c. Loans and advances	5	1,087,503	1,410,646
		31,984,671	21,077,844
2 LESS: CURRENT LIABILITIES AND PROVISIONS	6	91,326	74,280
NET CURRENT ASSETS		31,893,345	21,003,564
Total		31,893,345	21,003,564

Schedule 10: Statement of Significant Accounting Policies

Schedule 11: Notes to the Accounts

Per our report attached

For Joshi Apte & Company
Chartered Accountants
P J Apte
Partner

Pune, 22nd February, 2011

S D Dikshit Chairman

Verghese Oommen }
V Ravi Shanker } Directors

Pune, 22nd February, 2011

Profit and Loss Account for the year ended 31st December, 2010

	Schedule	Year ended 31st December, 2010 Rs.	Year ended 31st December, 2009 Rs.
INCOME			
Sale of services (Gross)		16,804,514	14,377,039
Other Income	7	817,803	914,722
		<u>17,622,317</u>	<u>15,291,761</u>
EXPENDITURE			
Management & Administrative Services received		708,883	696,606
Other Expenses	8	523,653	347,237
Interest	9	—	76,328
		<u>1,232,536</u>	<u>1,120,171</u>
Profit before tax		16,389,781	14,171,590
Less : Provision for taxation - Current tax	5,500,000		4,820,000
Deferred tax	—		1,683
		<u>5,500,000</u>	<u>4,821,683</u>
Profit after tax		<u>10,889,781</u>	<u>9,349,907</u>
APPROPRIATIONS			
a. Interim Dividend		—	5,000,000
b. Tax On Interim Dividend		—	849,750
c. Transfer to General reserve		—	1,000,000
d. Balance carried to Balance Sheet		10,889,781	2,500,157
		<u>10,889,781</u>	<u>9,349,907</u>
Earnings per Equity Share (Nominal Value per share Rs.100)		2,177.96	1,869.98

Schedule 10: Statement of Significant Accounting Policies

Schedule 11: Notes to the Accounts

Per our report attached to the Balance Sheet

For Joshi Apte & Company
Chartered Accountants
P J Apte
Partner

S D Dikshit Chairman
Verghese Oommen }
V Ravi Shanker } Directors

Pune, 22nd February, 2011

Pune, 22nd February, 2011

POFRAN SALES AND AGENCY LTD.

SCHEDULES TO THE BALANCE SHEET

1 SHARE CAPITAL

	As at 31 st December, 2010 Rs.	As at 31 st December, 2009 Rs.
Authorised : 10,000 equity shares of Rs. 100/- each	1,000,000	1,000,000
Issued, subscribed and paid up : 5,000 equity shares of Rs. 100/- each fully paid; held by KSB Pumps Ltd; the holding Company	500,000	500,000

2 RESERVES AND SURPLUS :

Description	General Reserve Rs.	Profit & Loss Account Rs.	Total Rs.
As at 31st Dec.2009	1,900,000	18,603,564	20,503,564
Transfer from /(to)Profit & Loss Account	—	10,889,781	10,889,781
As at 31st Dec.2010	1,900,000	29,493,345	31,393,345

	As at 31st December, 2010 Rs.	As at 31st December, 2009 Rs.
3 SUNDRY DEBTORS		
Sundry Debtors-considered good	11,421,737	7,140,276
Debts outstanding for a period exceeding six months	—	—
	11,421,737	7,140,276
4 CASH AND BANK BALANCES		
Cash on hand	4,132	2,469
Balance with scheduled bank		
Current accounts	8,130,353	2,524,453
Fixed Deposits	11,340,946	10,000,000
	19,475,431	12,526,922
5 LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	340,361	893,018
Taxes paid in advance less provisions (current tax)	747,142	517,628
	1,087,503	1,410,646
6 CURRENT LIABILITIES		
Sundry creditors & other liabilities	91,326	74,280
	91,326	74,280

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

	Year ended 31st December, 2010 Rs.	Year ended 31st December, 2009 Rs.
7 OTHER INCOME		
Interest on Bank Deposits (Tax deducted at source Rs.55,238)	817,803	914,722
	<u>817,803</u>	<u>914,722</u>
8 OTHER EXPENSES		
Rent	66,981	66,180
Rates and taxes	11,045	7,848
Audit fees (net of service tax)	30,000	30,000
Exchange Loss	353,292	174,393
Services at site	21,167	30,891
Printing & stationery	5,061	3,090
Telephone expenses	6,660	16,110
General charges	29,447	18,725
	<u>523,653</u>	<u>347,237</u>
9 INTEREST		
Interest on fixed period loan	—	76,328
	<u>—</u>	<u>76,328</u>

SCHEDULE 10 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- Revenue Recognition :** Commission is recognised on shipment/despatch of material to clients as per Purchase order terms of the clients.
- Foreign Exchange Transaction :** Realised gains and losses on foreign exchange transaction are recognized in the Profit & Loss A/c. Accrued agency commission from Principal in foreign currency is converted at year end rate of exchange.
- Preliminary expenses have been amortized in the year of expenditure
- Mercantile system of accounting is followed in consistence with generally accepted accounting practice.

SCHEDULE 11 NOTES TO THE ACCOUNTS

1	EARNING IN FOREIGN CURRENCY		31st Dec.2010	31st Dec.2009
	Commission collected from principal		Rs. 16,804,514	Rs. 14,377,039
2	The Company neither deals in multiple products/Services nor operates in different geographical areas. As a result,no reportable segment is identified as per the definition contained in Accounting Standard 17(segment Reporting). Therefore, segment information as per Accounting Standard on Segment Information (AS-17) is not disclosed.			
3	Related Party Transaction as per Accounting Standard -18			
Sr. No.	Name & address of the party	Nature of transaction	For the year 2010 Amount Rs.	For the year 2009 Amount Rs.
			Outstanding	Outstanding
1	KSB Pumps Ltd. Pimpri Pune 18	Dividend paid	—	—
		Office rent	60,000	—
		Management & administrative Services received	708,883	—
		Others	24,517	—
4	Break-up of Deferred Tax Asset & Liabilities		31st Dec.2010	31st Dec.2009
	Deferred Tax Assets		Amount Rs.	Amount Rs.
	Opening balance		—	1,683
	Recognition of deferred tax asset during the year		—	—
	Reversal of deferred tax asset, realised against profit		—	—
	Closing balance		—	—
	(Credit) / Charge to Profit & Loss account		—	1,683
5	Previous year's figures have been regrouped/restated wherever necessary to conform with this year's classification.			

For Joshi Apte & Company
Chartered Accountants

P J Apte
Partner

Pune, 22nd February, 2011

S D Dikshit Chairman

Verghese Oommen }
V Ravi Shanker } Directors

Pune, 22nd February, 2011

POFRAN SALES AND AGENCY LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010

Particulars	Rs.	2010 Rs.	Rs.	2009 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		16,389,781		14,171,590
Adjustment for :				
Income from investments		(817,803)		(914,722)
Operating profit before changes in Working Capital		15,571,978		13,256,868
Adjustments for changes in Working capital -				
Trade receivables	(4,281,461)		(1,656,074)	
Current Liabilities	17,046		44,780	
		(4,264,415)		(1,611,294)
Cash generated from operations		11,307,563		11,645,574
Direct taxes paid		(5,700,000)		(4,370,000)
Net Cash from Operating activities		5,607,563		7,275,574
B CASH FLOW FROM INVESTING ACTIVITIES				
Interest received on investments		1,340,946	—	
C CASH FLOW FROM FINANCING ACTIVITIES				
Interim Dividend paid	—		(5,000,000)	
Tax on dividend	—		(849,750)	
		—		(5,849,750)
D NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		6,948,509		1,425,824
Cash and Cash Equivalents (Opening balance)		12,526,922		11,101,098
Cash and Cash Equivalents (Closing balance)		19,475,431		12,526,922

Notes :

- Figures in brackets represent outflows of cash and cash equivalents.
- Cash and cash equivalents comprise of :

	As at 31st Dec.2010 Rs.	As at 31st Dec.2009 Rs.
Cash on hand	4,132	2,469
<u>Balance with Scheduled banks</u>		
Current account	8,130,353	2,524,453
Fixed Deposit	11,340,946	10,000,000
	19,471,299	12,524,453
	19,475,431	12,526,922

Per our report attached to the Balance Sheet

For Joshi Apte & Company
Chartered Accountants
P J Apte
Partner

Pune, 22nd February, 2011

S D Dikshit Chairman

Verghese Oommen }
V Ravi Shanker } Directors

Pune, 22nd February, 2011

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

1 2 0 1 2 3

State Code

1 1

Balance Sheet Date

3 1

Date

1 2

Month

2 0 1 0

Year

II. Capital Raised during the year (Amount Rs. in Thousand)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Development of Funds (Amount Rs. in Thousand)

Total Liabilities

3 1 8 9 3

SOURCES OF FUNDS

Paid up Capital

5 0 0

Secured Loans

N I L

APPLICATIONS OF FUNDS

Net Fixed Asset

N I L

Net Current Assets

3 1 8 9 3

Miscellaneous Expenditure

N I L

IV. Performance of the Company (Amount Rs. in Thousand)

Sale of Service

1 7 6 2 2

Profit Before Tax

1 6 3 9 0

Earning per Shares (Rs.)

2 1 7 7 . 9 6

Total Assets

3 1 8 9 3

Reserve & Surplus

3 1 3 9 3

Unsecured Loans

N I L

Investments

N I L

Deferred Tax Asset

N I L

Accumulated Losses

N I L

Total Expenditure

1 2 3 2

Profit After Tax

1 0 8 9 0

Dividend Rate %

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms).

Product Description

N A

S D Dikshit

Chairman

Verghese Oommen

V Ravi Shanker

Directors

Pune, 22nd February, 2011

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details
 Registration No.

1	1	6	3	5
---	---	---	---	---

 State Code

1	1
---	---

 Balance Sheet Date

3	1	.	1	2	.	2	0	1	0
---	---	---	---	---	---	---	---	---	---

II. Capital raised during the year (Amount Rs. In Thousand)
 Public Issue

		N	I	L			
--	--	---	---	---	--	--	--

 Rights Issue

		N	I	L			
--	--	---	---	---	--	--	--

 Bonus Issue

		N	I	L			
--	--	---	---	---	--	--	--

 Private Placement

		N	I	L			
--	--	---	---	---	--	--	--

III. Position of Mobilisation and Development of Funds (Amount Rs. in Thousand)
 Total Liabilities

		3	7	7	0	4	8	5
--	--	---	---	---	---	---	---	---

 Total Assets

		3	7	7	0	4	8	5
--	--	---	---	---	---	---	---	---

 SOURCES OF FUNDS
 Paid up Capital

		1	7	4	0	3	9
--	--	---	---	---	---	---	---

 Reserve & Surplus

		3	4	5	9	1	7	3
--	--	---	---	---	---	---	---	---

 Secured Loans

		1	3	6	1	6	1
--	--	---	---	---	---	---	---

 Unsecured Loans

				1	1	1	2
--	--	--	--	---	---	---	---

 APPLICATIONS OF FUNDS
 Net Fixed Assets

		1	6	0	0	2	4	5
--	--	---	---	---	---	---	---	---

 Investments

				6	3	5	5	0
--	--	--	--	---	---	---	---	---

 Net Current Assets

		2	0	5	9	7	8	7
--	--	---	---	---	---	---	---	---

 Deferred Tax Balance

				4	6	9	0	3
--	--	--	--	---	---	---	---	---

 Misc. Expenditure

		N	I	L			
--	--	---	---	---	--	--	--

 Accumulated Losses

		N	I	L			
--	--	---	---	---	--	--	--

IV. Performance of the company (Amount Rs. In Thousand)
 Turnover (Net) & Other Income

		6	2	6	9	6	9	9
--	--	---	---	---	---	---	---	---

 Total expenditure

		5	5	2	7	2	4	9
--	--	---	---	---	---	---	---	---

 Profit Before Tax

		7	4	2	4	5	0
--	--	---	---	---	---	---	---

 Profit After Tax

		5	1	5	7	9	6
--	--	---	---	---	---	---	---

 Earning Per Shares (Rs.)

		2	9	.	6	3
--	--	---	---	---	---	---

 Dividend Rate (%)

				1	0	0
--	--	--	--	---	---	---

V. Generic Names of Three Principal Products / Services of The Company (As Per Monetary Terms)
 Item Code No. (ITC Code)

8	4	.	1	3			
---	---	---	---	---	--	--	--

 Product Description

P	O	W	E	R		D	R	I	V	E	N		P	U	M	P	S
---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---

 Item Code No. (ITC Code)

8	4	.	8	1			
---	---	---	---	---	--	--	--

 Product Description

I	N	D	U	S	T	R	I	A	L		V	A	L	V	E	S
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

 Item Code No. (ITC Code)

7	3	.	2	5			
---	---	---	---	---	--	--	--

 Product Description

C	A	S	T		A	R	T	I	C	L	E	S		O	F		I	R	O	N		O	R
S	T	E	E	L																			

G.Swarup Chairman

A.R. Broacha }
D.N.Damania } Directors

W. Spiegel Managing Director

M.A. Mehta
Company Secretary

Mumbai, 24th February, 2011

Product Launches

moviBOOST



To cater the building services market, water pressure boosting systems - **moviBOOST** were launched at Pune.

In the present range three variants are available. These systems are being manufactured at Sinnar division.



moviBOOST K



moviBOOST V



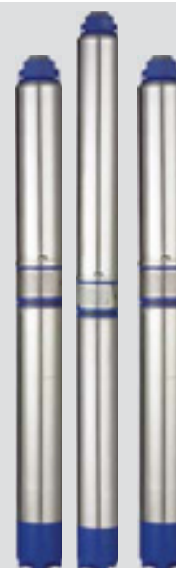
moviBOOST VP

CORA 75

75 mm (3") Submersible motor pumps

Product basket of submersible motor pumps is widened with the launch of CORA 75, submersible motor pumpset with Stainless Steel jacket and a rewindable water cooled motor.

These pumpsets are aimed at domestic use as well as replacement of jet pumps. At present the pumpsets are launched with a power rating (0.37 to 1.1 kw) which will deliver head up to (120 mtrs.) and flow up to (95 lpm).



Glimpses of the grand celebration of "Celebrating 50 years of KSB in India" at Pune



New effluent treatment plant at Pimpri factory



KSB Pumps Limited
126, Maker Chambers III, Nariman Point,
Mumbai - 400 021.
Tel.: 022 6658 8787 Fax : 022 6658 8788 www.ksbindia.co.in