

---

**NOTICE**

---

NOTICE is hereby given that the Fifty-Third Annual General Meeting of KSB PUMPS LIMITED will be held at Bajaj Bhavan, Ground Floor (Kamalnayan Bajaj Hall), 226, Nariman Point, Mumbai 400 021, on Friday, 12th April, 2013 at 2.00 p.m. to transact the following items of business :

**ORDINARY BUSINESS:**

- 1) To receive, consider and adopt the Audited Balance Sheet and Statement of Profit and Loss of the Company for the year ended 31st December, 2012, together with the Board's Report and the Auditors' Report thereon.
- 2) To appoint a Director in place of Mr. N.N. Kampani, who retires by rotation, and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. D.N. Damania, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Dr. A. Lee, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting, and to fix their remuneration.

**SPECIAL BUSINESS:**

- 6) To consider, and, if thought fit, to pass the following resolution, with or without modification, as a SPECIAL RESOLUTION: "RESOLVED THAT in supersession of earlier Special Resolution passed at Annual General Meeting held on 6th May, 2008, and pursuant to provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 113 of the Article of Association of the Company and subject to such approvals, if necessary, the consent of the Company be and is hereby accorded to the payment of remuneration to Directors (excluding Managing Director and Whole-time Directors, if any) by way of commission for an increased amount not exceeding ₹ 28,00,000/- (Rupees Twenty Eight Lacs only) from ₹ 25,00,000/- (Rupees Twenty Five Lacs only) for the year ended on 31st December, 2012, with an authority to the Board of Directors to determine the amount of commission payable to each such Director within the increased limit."

- 7) To consider, and, if thought fit, to pass the following resolution, with or without modification, as a SPECIAL RESOLUTION: "RESOLVED THAT in partial modification of the earlier Special Resolution passed at the Annual General Meeting of the Company on 12th April, 2012, pursuant to Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 read with Article 113 of the Articles of Association of the Company, and subject to such other approvals, if necessary, the consent of the Company is hereby accorded to the payment of remuneration to Directors (excluding the Managing Director and Whole-time Directors, if any) by way of commission calculated up to a level of 1% of the net profits of the Company computed in manner laid down in Section 198 of the Companies Act, 1956, for each of five years commencing from 1st January, 2013 with an authority to the Board of Directors to determine the amount of commission payable to each such Director within the limits aforesaid."

**NOTES:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (b) An explanatory statement under Section 173 of the Companies Act, 1956, is annexed hereto.
- (c) The information as required to be provided under Clause 49 of the Listing Agreement entered into with the Stock Exchanges on which shares of the Company are listed, regarding the Directors who are proposed to be re-appointed is annexed hereto.
- (d) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 9th April, 2013 to Friday, 12th April, 2013 (both days inclusive).
- (e) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred to General Revenue Account of the Central Government, all dividend declared up to the Final Dividend for the year 1994-95, and remaining unclaimed. Concerned shareholders can receive the amount of their unclaimed dividend from the Registrar of Companies, at Central Government Office Building, A Wing,

Second Floor, CBD Belapur, Navi Mumbai, Maharashtra, upon preferring an application in the form prescribed under the said Rules.

- (f) Unclaimed Final Dividend for the financial year ended 31.12.2004 and Unpaid Interim Dividend for the financial year ended 31.12.2005 have been transferred to the Investor Education and Protection Fund after completion of seven years in accordance with Section 205C of the Companies Act, 1956. Other unpaid dividends that are due for transfer are detailed below:

Dividend	For the Financial Year ended	Date of Payment	Due for Transfer on
Final	31.12.2005	07.06.2006	06.06.2013
Interim	31.12.2006	24.11.2006	23.11.2013
Final	31.12.2006	31.05.2007	30.05.2014
Interim	31.12.2007	22.11.2007	21.11.2014
Final	31.12.2007	30.05.2008	29.05.2015
Interim	31.12.2008	19.11.2008	18.11.2015
Final	31.12.2008	12.05.2009	11.05.2016
Interim	31.12.2009	17.11.2009	16.11.2016
Final	31.12.2009	18.05.2010	17.05.2017
Interim	31.12.2010	15.11.2010	14.11.2017
Final	31.12.2010	21.04.2011	20.04.2018
Interim	31.12.2011	15.11.2011	14.11.2018
Final	31.12.2011	07.05.2012	06.05.2019
Interim	31.12.2012	22.11.2012	21.11.2019

Members who have not encashed their dividend warrants pertaining to the earlier years may approach the Company's Registrars & Transfer Agents, Link Intime India Pvt. Ltd., at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078, for the same.

- (g) Members having more than one folio in identical names are requested to consolidate the same.
- (h) As per directions of SEBI and as a part of green initiative activity undertaken by the Company, members are requested to update their e-mail addresses to the Company's Registrars & Transfer Agents, Link Intime India Pvt. Ltd., at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078, or at [ksbpumpsgogreen@linkintime.co.in](mailto:ksbpumpsgogreen@linkintime.co.in)
- (i) As you are aware the Company's shares have been dematerialised for all investors, members holding share certificates in the physical form are requested to de-materialise their shares by approaching any of the Depository Participants registered with SEBI.

By Order of the Board

G SWARUP  
Chairman

Registered Office:  
126, Maker Chambers III  
Nariman Point  
Mumbai 400 021

Mumbai, 22nd February, 2013

#### Notes on Directors seeking re-appointment

As required under Listing Agreement, particulars of Directors who are to be re-appointed are given below:

1. Mr N. N. Kampani

Age	66 years
Qualifications	B.Com, FCA
Experience	Investment Banking including mergers, acquisitions & restructuring, Corporate Finance and Capital Markets.
Director since	27th February, 1989
List of other Directorships	Apollo Tyres Limited
	Britannia Industries Limited
	Capital Market Publishers India Pvt. Ltd.
	Deepak Nitrite Limited
	J.M. Financial & Investment Consultancy Services Pvt. Ltd.
	J.M. Financial Limited
	J.M. Financial Trustee Company Private Ltd.
	J.M. Financial Services Pvt. Ltd.
	J.M. Financial Institutional Securities Pvt. Ltd.
	Kampani Consultants Ltd.

Membership in Committees in other companies	Name of the Company	Audit Committee	Shareholder's Greivance Committee
	Britania Industries Limited	Member	Member
	J.M. Financial Limited	-	Member
	J.M. Financial Institutional Securities Private Limited	Member	-
	J.M. Financial Services	Chairman	
No. of shares held	Nil		

\* Only Audit Committee and Shareholder's Grievance Committee membership have been considered

2. Mr. D. N. Damania

Age	76 years
Qualifications	Engineer
Experience	Vast experience in the engineering industry
Director since	30th December, 1981
List of other Directorships	ThyssenKrupp Industries India Pvt. Ltd. ThyssenKrupp Foerdertechnik GmbH, Germany ThyssenKrupp Elevator (India) Pvt. Ltd. ThyssenKrupp Engine Components India Private Limited ThyssenKrupp System Engineering India Private Limited Uhde India Private Limited Berco Undercarriages (India) Pvt. Ltd. Sudarshan Chemical Industries Limited Sanghvi Movers Limited Finolex Industries Limited
Membership in Committees in other companies	Sudarshan Chemical Industries Limited Sanghvi Movers Limited Finolex Industries Limited
No. of shares held	4,200

3. Dr. A. Lee

Age	56 years
Qualifications	Doctorate in Engineering
Experience	Vast experience in engineering industry
Director Since	29th January, 1999
List of other Directorships	MIL Controls Limited KSB Singapore (Asia Pacific) Pte. Ltd. KSB Vietnam Co. Ltd. KSB Shanghai Pump Co. Ltd. KSB Ltd., Hongkong P.T. KSB Indonesia KSB Ltd., Tokyo, Japan KSB Pumps Co. Ltd., Lahore, Pakistan KSB Korea Ltd. KSB Pumps Co. Ltd., Thailand KSB Valves (Shanghai) Co. Ltd. KSB Valves (Changzhou) Co. Ltd. Dalian KSB AMRI Valves Co. Ltd. KSB Malaysia Pumps & Valves Sdn Bhd Shanghai Electric-KSB Nuclear Pumps and Valves KSB Seil Co. Ltd.
Membership in Committees in other companies	NIL
No. of shares held	None

---

## Annexure to the Notice

---

Explanatory Statement as required by Section 173 of the Companies Act, 1956.

### ITEM 6:

At the Annual General Meeting of the Company held on 6th May, 2008, members of the Company had authorised the Board of Directors to remunerate the non-executive directors of the Company (excluding the Managing Director and Whole-time Directors) by way of commission for their services up to an amount of 1% of the net profits of the Company or ₹ 25,00,000/- (Rupees Twenty Five Lacs only) whichever was less, for each of the five financial years commencing from 1st January, 2008 to 31st December, 2012.

The Board, however is of the view that all the non-executive and independent Directors are possessing rich expertise and vast experience in various functional and professional fields. This is ultimately contributing towards achieving growth of the Company with consistent good Corporate Governance Practices. In order to recompense reasonably for the time devoted, responsibilities shared significantly by non-executive directors including independent directors, Board proposed to increase the amount of commission to be paid to all non-executive Directors for an amount not exceeding ₹ 28,00,000/- (Rupees Twenty Eight Lacs only) from ₹ 25,00,000/- (Rupees Twenty Five Lacs only) for financial year ended on 31st December, 2012.

The members are requested to pass the special resolution set out at Item 6 to the Notice.

All the Directors except Mr. W. Spiegel, Managing Director, shall be deemed to be concerned or interested in this resolution as it pertains to payment of commission to them.

### ITEM 7:

At the Annual General Meeting of the Company held on 12th April, 2012, members of the

Company had authorised the Board of Directors to remunerate the non-executive directors of the Company (excluding the Managing Director and Whole-time Directors) by way of commission for their services up to an amount of 1% of the net profits of the Company or ₹ 25,00,000/- (Rupees Twenty Five Lacs only) whichever was less, for each of the five financial years commencing from 1st January, 2013.

The Board of Directors of the Company feel that in view of the increased contribution by the Directors to the growth of business and operations of the Company and their increased responsibility on account of Corporate Governance, the existing arrangement of payment of remuneration by way of commission to the Non-Executive including Independent Directors be modified, so as to permit payment of commission up to a level of 1% of the net profits of the Company, in respect of each of the five financial years commencing from 1st January, 2013 and as set out at Item 7 of the Notice.

The members are requested to pass the special resolution set out at Item 7 of the Notice.

All the Directors except Mr. W. Spiegel, Managing Director, shall be deemed to be concerned or interested in this resolution as it pertains to payment of commission to them.

By Order of the Board

G SWARUP  
Chairman

Registered Office:  
126, Maker Chambers III  
Nariman Point  
Mumbai 400 021

Mumbai, 22nd February, 2013



# 53<sup>rd</sup> Annual Report - 2012



## Revamping of Cast Iron Foundry, Vambori

Estimated Project cost : Rs. 310 Mio

Completion by : April 2013



Ultramodern Sand Plant  
under construction



High Pressure moulding machine  
under commissioning



Inside view from Furnace side

## KSB CARE

Proposed School Project at Vambori, Ahmednagar

*Artist's impression*



	Page Nos.
General Information .....	2
Board's Report .....	3-5
Annexures	
i. Management Discussion & Analysis Report .....	6-10
ii. Report on Corporate Governance .....	11-19
iii. Other Annexures .....	20-21
Auditors' Report .....	22-25
Balance Sheet .....	26
Statement of Profit & Loss .....	27
Cash Flow .....	28-29
Notes 1 to 44 .....	30-52
Consolidated Financial Statements .....	53-79
Summary of Financial Information of Subsidiary Company .....	80

#### ANNUAL GENERAL MEETING

Date : 12th April, 2013  
 Day : Friday  
 Time : 2.00 p.m.  
 Venue : Bajaj Bhavan, Ground Floor,  
 (Kamalnayan Bajaj Hall),  
 226, Nariman Point,  
 Mumbai 400 021.

#### COMMUNICATION DETAILS

Tel No. : 022-66588787  
 Fax No. : 022-66588788  
 Shareholders' Grievance Cell : mitra.parchure@ksb.com  
 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 - Chandigarh, Jaipur & Lucknow  
East - Kolkata  
Offices - Bhubaneswar, Jamshedpur & Raipur  
West - Mumbai  
Offices - Ahmedabad, Aurangabad, Baroda, Indore,  
Nagpur & Pune  
South - Chennai  
Offices - Bangalore & 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.: 022 25946970  
E-mail: [rnt.helpdesk@linkintime.co.in](mailto: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 Statement of Profit and Loss of the Company for the year ended 31st December, 2012.

### FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	₹ in Million	
	Year ended 31.12.2012	Year ended 31.12.2011
Revenue from operations (net) & Other Income	7404.80	7641.32
Profit before taxation	806.58	622.94
Less: Provision for taxation		
Current	265.10	207.00
Deferred	(22.25)	(5.43)
Adjustment of tax of earlier years	(16.43)	(8.45)
	226.42	193.12
Profit after tax	580.16	429.82
Balance brought forward	2651.61	2428.61
Profit for appropriation	3231.77	2858.43
Appropriation:		
First Interim Dividend	34.81	34.81
Second Interim Dividend	156.64	-
Final Dividend	-	104.42
Tax on Dividend	31.06	22.59
General Reserve	60.00	45.00
Balance carried to Balance Sheet	2949.26	2651.61
	3231.77	2858.43

**Note:** previous year's figures have been regrouped/reclassified, wherever necessary to correspond with the current year classification/disclosure required as per revised Schedule- VI.

(ii) Dividend:

First Interim dividend of ₹ 1 per share of ₹ 10 each (10%) was paid during the year.

The Board of Directors declared Second interim dividend of ₹ 4.50 per share of ₹ 10 each ( 45%) making total dividend paid for the year ₹ 5.50 (55%). No Final Dividend is recommended by the Board.

### GENERAL REVIEW

(i) Working:

During the year under review, the Company has earned higher profit before tax compared to the previous year even though there has been decrease in the sales. The overall economic slowdown and delay in project execution continued in 2012. Hence situation of heavy pressure on margin continued in the year. The Company has taken various cost reduction and efficiency improvement measures during the year which resulted in increased profitability despite of reduction in sale.

Export increased by ₹ 333 mio. from ₹ 701 mio. last year to ₹ 1034 mio.

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

(ii) Unclaimed Bonus Shares :

Total 23,608 bonus shares held by 152 shareholders were unclaimed in the year 2012, after allotment. Out of which 2,914 bonus shares were transferred to respective 6 shareholders who had approached for such shares. Now the total number of shares outstanding is 20,694 held by 146 shareholders.

(iii) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2012, 1 depositor (₹15,000) did not claim his deposit on the due date.

---

## 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 ₹41,409 being unclaimed fixed deposits and interest and an amount of ₹205,708 being unclaimed dividends up to the year 31.12.2005, were transferred to the Investor Education & Protection Fund established by the Central Government.

- (v) Subsidiary & Associate:

The Ministry of Corporate Affairs, the Government of India has vide Circular No. 2/2011 dated 8th February, 2011 granted general exemption subject to fulfillment of certain conditions from attaching the Balance Sheet of the Subsidiary to the Balance Sheet of the Company without making an application for exemption. Accordingly, the Balance Sheet, the Statement of Profit and Loss Account and other documents of the subsidiary company is not being attached with the Balance Sheet of the Company. Financial information of the subsidiary company is disclosed in the Annual Report. The Audited Annual Accounts of this subsidiary and related detailed information will be made available to any member of the Company/ its subsidiary seeking such information at any point of time and are also available for inspection by any member of the Company/ its subsidiary at the Registered Office of the Company. The Audited Annual Accounts of the said Subsidiary will also be available for inspection, as above, at the Head Office of the subsidiary company.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of ₹ 337.7 mio for the year ended 31st December, 2012 (previous year - ₹ 280.5 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

Mr. N.N. Kampani, Mr. D.N. Damania, and Dr. A. Lee retire by rotation and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departure;
- 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.



## BOARD'S REPORT (Contd.)

### ACKNOWLEDGEMENTS

The Board of Directors are grateful to Canadian Kay Pump Ltd., the main shareholder, and to KSB AG, Germany, the Company's collaborators, for their valuable assistance and support. They wish to record their appreciation for the co-operation and support of the Company's shareholders, bankers and other lending institutions, all employees including the workers, staff and middle management and all others concerned with the Company's business.

### PARTICULARS OF EMPLOYEES

The particulars prescribed under section 217(2A) of the Companies Act, 1956 are furnished in the annexure to this report.

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

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the annexure to this report.

### SAFETY AND ENVIRONMENT

The Company is committed to improve its processes and operations to achieve and enhance its initiatives towards improving environment, health and safety standards on a continuous basis.

In line with our vision under EHS and Global Compact, we have initiated several activities some of them being disposal of e-waste through authorized agency, programs initiated to increase awareness on environment conservation and distribution of saplings, improvised lamp fittings, VFDs, programmer for voltage regulation for AC's, motion sensors in aisles etc., to save power, wet scrubbers, oil skimmers to

reduce pollution, conservation of wood & other packing material etc.

Further we have decided to have OHSAS 18001 certification for organization health and safety in coming year. Two plants will be audited and certified for OHSAS in the first phase. Extensive training programs are held to train our core team members who would be responsible to implement the requirements of this standard across all plants.

We have initiated dialogue with our supplier's through correspondence and one-to-one meeting to begin the EHS activities at their end, this will be closely monitored in future to bring in desired result.

### CORPORATE SOCIAL RESPONSIBILITY

KSB Care Charitable Trust has initiated a project of supporting a school near Company's foundry at Vambori. Proposed support is to construct a primary school building.

### AUDITORS

You are requested to appoint auditors for the current year and to fix their remuneration. The retiring auditors Messrs. Deloitte Haskins & Sells, Chartered Accountants, are eligible and offer themselves for re-appointment. The Company has received a certificate from Messrs. Deloitte Haskins & Sells to the effect that their re-appointment, if made, will be within the prescribed limits specified in section 224(1B) of the Companies Act, 1956.

On behalf of the Board of Directors

G. SWARUP  
CHAIRMAN

Mumbai, 22nd February, 2013

---

## 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

On the backdrop of decelerated growth in 2011, growth prospects for 2012 remained uncertain. Advanced Economies clouding the global growth lost its momentum due to the protracted debt crisis in euro area and fiscal fragilities dampened business and consumer confidence. Growth in emerging markets, especially China and India, was slower beyond what was anticipated.

Contrary to expectation, Indian economy did not show signs of recovery. Lower global demand, domestic policy uncertainties and cumulative impact of monetary tightening lowered the growth rate below six percent. Industrial growth remained subdued due to supply-side bottlenecks as well as no flow of investments. The growth slowdown has been driven by sharp fall in investment which may remain sluggish in new projects. With reduced stress on global financial markets and revival of capital inflows, financial conditions improved in India. However, tight liquidity conditions saw money market rates firm-up.

Deficient monsoon conditions reperculated overall foodgrain production in the later part of the year. Industrial activities lost steam on account of weak demand for consumer durables, reflecting interest rate sensitivity, deceleration in external demand and subdued investment demand due to decline in business confidence. Growth in service sector moderated, reflecting the slowdown in construction. Persistent

inflationary pressures began easing in the initial period of year but remained sticky at about current level.

All in all, dampening of investment sentiments, global uncertainties, domestic cyclical and structural factors affected all three sectors in economy agriculture, industry and service. Alongside, reviving growth in a non-inflationary manner also posed a big challenge for Indian Economy.

##### 2.2 Pumps & Valves Industries

After an encouraging start, the world economy cooled again in the course of 2012, which adversely affected the confidence of many investors in sound economic development. The mechanical engineering sector continued to grow in 2012 but much more slowly.

For Pumps and Valves manufacturers, the project business in energy sector continued to be characterised by low number of new orders and tight margins. Demand from chemical and petrochemical industries remained subdued as well as with no major grass root project started during the year.

#### 3.0 OPPORTUNITIES AND THREATS

With India's ever growing requirements of energy and capacity addition planned by the Government's though demand is subdued at the moment, there exists substantial opportunity for the Company as the Company's products are geared up for this sector.

With the globalisation, 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, Pumps worth ₹ 4875 mio. (Previous year ₹ 5248 mio.)

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

were sold. Similarly during the year under review, valves worth ₹ 1423 mio (previous year ₹ 1396 mio) were sold.

### EXPORT

During the year under review, exports of pumps and valves in terms of value were ₹ 1034 mio. as against ₹ 701 mio. in previous year. Agency commission earned was ₹ 35 mio.

### 5.0 OUTLOOK

Despite only moderate growth in the global economy, we expect order intake and sales revenue to grow once again in 2013. The implementation of strategic project would contribute significantly to this. Expansion of the standard business and the continued development of the service and aftermarket business will be important priorities.

Infrastructural developments in BRIC countries, urbanization in Asia Pacific countries resulted in more demand on power and fuel that would considerably contribute for growth in Pump & Valves industry.

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

Program of production harmonization at various manufacturing locations is progressing satisfactorily. The Company continues its focus on innovation to meet the ever changing requirements of the customer.

### 6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

The competition is expected to be more aggressive leading to price pressures. Uncertainty in global economic growth coupled with inflationary pressures is

expected to impact the growth rate in India and consequently the Company's operations.

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

### 7.0 INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Internal Control Systems are implemented:-

- To safeguard the Company's assets from loss or damage
- To keep constant check on cost structure
- To provide adequate financial and accounting controls and implement accounting standards.

The system is improved and modified continuously to meet with changes in business condition, statutory and accounting requirements.

Internal controls are adequately supported by Internal Audit and periodic review by the management.

The Audit Committee meets periodically to review -

- with the management, and statutory auditors, financial statements
- with the internal auditors, adequacy/ scope of internal audit function, significant findings and follow up thereon and findings of any abnormal nature.

### 8.0 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL EFFICIENCY

Due to some cost control measures, there is reduction in total expenses for 2012 as compared to last year. Consequently Profit after Tax improved even though the total turnover has decreased.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

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

### 9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

In 2012, we have continued to focus on various people development initiatives such as Learning and Development, Developing Leadership Culture, Succession Planning and Performance Management. At the same time, new initiatives like Employee Communications Meetings and E-learning were introduced.

In Learning and Development programmes more emphasis was given on development of technical and functional competencies with the support of Internal Trainers.

Productivity linked wage agreement was signed with the Union at Vambori. Industrial relations at all the plants were cordial and healthy.

### 10.0 CAUTION

This report is based on the experience and information available to the Company in the Pump and Valve business and assumption in regard to domestic and global economic conditions, government and regulation policies etc. The performance of the Company is dependent on these factors. It may be materially influenced by the changes therein beyond the Company's control, affecting the views expressed in or perceived from this report.

On behalf of the Board of Directors,

G SWARUP  
Chairman

Mumbai, 22nd February, 2013

### DISTRIBUTION OF INCOME

	Year ended 31.12.2012		₹ in Million Year ended 31.12.2011	
	₹	%	₹	%
1. Raw Materials/Bought-out Components Consumed	3582	48.37	3984	52.14
2. Employee benefit expenses	1036	14.00	1044	13.66
3. Administrative, Sales & Other Expenses	1693	22.86	1744	22.82
4. Finance Cost	52	0.70	28	0.37
5. Depreciation	235	3.17	218	2.85
6. Taxation				
Current	249	3.36	199	2.60
Deferred	(22)	(0.30)	(5)	(0.07)
On Dividend	31	0.42	22	0.30
7. Dividend	191	2.59	139	1.82
8. Retained Earnings	358	4.83	268	3.51
TOTAL	<u>7405</u>	<u>100.00</u>	<u>7641</u>	<u>100.00</u>

Note: Previous year's figures have been regrouped / reclassified, wherever necessary to correspond with the current year classification / disclosure required as per revised Schedule VI.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### FINANCIAL POSITION AT A GLANCE

CAPITAL		Year ended 31.12.2012	₹ in Million Year ended 31.12.2011
ASSETS OWNED			
Non Current Assets -			
1. Fixed Assets (net)		1852	1597
2. Investments		64	64
3. Other Non-Current Assets (net)		211	233
4. Deferred Tax Assets (net)		75	52
Current Assets (Net) - excluding borrowings		2226	2587
	TOTAL	4428	4533
FINANCED BY			
1. Borrowings		169	632
2. Net Worth*		4259	3901
	TOTAL	4428	4533
*Represented by			
Share Capital		348	348
Reserves (Net)		3911	3553
	TOTAL	4259	3901
INCOME EARNED			
1. Revenue from operations (net)		7224	7495
2. Other Income		181	146
	TOTAL	7405	7641
INCOME DISTRIBUTED			
1. Materials Consumed		3582	3984
2. Employee benefit expenses		1036	1044
3. Other Expenses		1693	1744
4. Finance Cost		52	28
5. Depreciation		235	218
6. Taxation			
Current		249	199
Deferred		(22)	(5)
On Dividend		31	22
7. Dividend		191	139
8. Retained Income		358	268
	TOTAL	7405	7641

Note: Previous year's figures have been regrouped / reclassified, wherever necessary to correspond with the current year classification / disclosure required as per revised Schedule VI.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
<b>CAPITAL ACCOUNTS (₹ in million)</b>					
<b>Liabilities</b>					
Share Capital	348	348	174	174	174
Reserves & Surplus	3911	3553	3459	3146	2739
Non-Current Liabilities	284	237	177	146	131
<b>Assets</b>					
Non-Current Assets -					
Gross Block	3522	3265	3095	2645	2314
Net Block	1852	1597	1574	1542	1305
Investments	64	64	64	64	64
Other Non Current Assets	495	470	355	277	305
Deferred Tax Assets (net)	75	52	47	20	11
Current Assets (Net) -	2057	1955	1770	1563	1359
<b>REVENUE ACCOUNTS (₹ in million)</b>					
Revenue from operations & Other Income	7405	7641	6269	5753	6065
Gross Profit before					
finance cost and depreciation	1094	869	954	1230	1139
Finance cost	52	28	5	18	23
Depreciation	235	218	207	204	130
Profit before tax	807	623	742	1008	986
Profit after tax	580	429	515	665	638
Tax on Dividend	31	22	28	37	16
Dividend amount	191	139	174	218	96
Retained earnings	358	268	313	407	535
<b>SELECTED INDICATORS</b>					
Return on Capital Employed %	19.40	14.36	19.81	30.22	31.29
Current Ratio	1.92	2.11	1.90	1.89	1.97
Earnings per share	16.67	12.35	14.82	19.02	18.60
Debt equity ratio	0.04	0.16	0.04	0.02	0.11
Book value per share	122.36	112.08	104.38	95.39	83.69
Dividend %	55	40	100	125	55
Fixed Assets Turnover	4.00	4.78	3.98	3.73	4.65

Note: Previous year's figures have been regrouped / reclassified, wherever necessary to correspond with the current year classification / disclosure required as per revised Schedule VI.



## 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	5	Yes
Mr. N.N. Kampani	NED – I	6	Yes
Dr. A. Lee	NED	3	No
Dr. W. Schmitt	NED	2	No
Mr. Pradip Shah	NED – I	6	Yes
Mr. W. Spiegel	Managing Director –ED	4	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.

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

Name of 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	1	1
Mr. A.R. Broacha	2	Nil	Nil
Mr. D.N. Damania	10	5	Nil
Mr. N.N. Kampani	10	3	1
Dr. A. Lee	16	Nil	Nil
Dr. W. Schmitt	9	Nil	Nil
Mr. Pradip Shah	18	8	1
Mr. W. Spiegel	10	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.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Sr. No.	Date
1.	22.02.2012
2.	12.04.2012
3.	27.04.2012
4.	27.07.2012
5.	26.10.2012
6.	14.12.2012

### 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.

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings attended
Mr. N.N. Kampani, Chairman	5
Mr. D.N. Damania	4
Mr. G. Swarup	5
Dr. A. Lee	3
Mr. A.R. Broacha	5

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

Sr. No.	Date
1.	22.02.2012
2.	27.04.2012
3.	27.07.2012
4.	26.10.2012
5.	14.12.2012

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: -

₹ '000s

Name of the Director	Salary	Commission	Performance linked bonus	Perquisites and Contribution to Provident Fund	Terms of appointment
Mr. W. Spiegel	3336	1668	-	1215	5 years, from 01.01.2012 to 31.12.2016

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### Notes:

- i. 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.
  - 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 ₹25,00,000 whichever is less for all the Directors (excluding the Managing Director).

Payments made for the period 1.1.2012 to 31.12.2012 are as under:

₹'000s

Name of the Directors	Directors' Fees	Commission
Mr. G. Swarup	85	400
Mr. A.R. Broacha	85	400
Mr. D.N. Damania	70	400
Mr. N.N. Kampani	60	400
Dr. A. Lee	30	400
Mr. Pradip Shah	60	400
Dr. W. Schmitt	20	400

**Note:** The amount of commission is to be paid after Annual General Meeting subject to approval of Shareholders in ensuing Annual General Meeting for increased amount of ₹ 28,00,000 as per Section 309(4) of Companies Act 1956.

### 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 26th October, 2012 which was attended by the then available members.

#### ii. Compliance Officer

Mr. M.G. Bhawe, Company Secretary

#### iii. Complaints

54 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, 2012.

### 6. General Body Meetings

#### A. (i) Location and time where last three Annual General Meetings were held:

Financial Year	Date	Time	Venue
2009	29.04.2010	2.00 p.m.	Bajaj Bhavan, Mumbai
2010	07.04.2011	2.00 p.m.	Bajaj Bhavan, Mumbai
2011	12.04.2012	2.00 p.m.	Bajaj Bhavan, Mumbai

---

## REPORT ON CORPORATE GOVERNANCE (Contd.)

---

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

Financial Year	Special Resolution Passed
2009	No
2010	Yes
2011	Yes

- (iii) Postal Ballot

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

### 7. Disclosures

#### A. Basis of Related Party Transactions

- i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large

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

Name of the Directors	No. of shares held	Dividend paid (₹)
Mr. Gaurav Swarup	34000	136000.00
Mr. A.R. Broacha	30000	120000.00
Mr. D.N. Damania	4200*	13800.00

\* 3200 – Final Dividend

4200 – Interim Dividend

- b. 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 38 of the Annual Accounts.

- ii. 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.

#### B. Disclosure of Accounting Treatment

The financial statements of the Company are prepared in accordance with the relevant Accounting Standards.

#### C. 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.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### 8. Means of Communication

i. Quarterly Results	Yes, published in the Newspapers every quarter
ii. Newspapers wherein results normally published	i. The Economic Times ii. Maharashtra Times
iii. Any website, where results are displayed	<a href="http://www.ksbindia.co.in">www.ksbindia.co.in</a>
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	12th April, 2013 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 1st January, 2012 to 31st December, 2012. The next financial year would be the calendar year 2013.
Date of Book Closure	9th April, 2013 to 12th April, 2013 (both days inclusive)
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 1st April, 2012 to 31st March, 2013.
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
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 31.12.2012	Please see Annexure 'C'
Dematerialisation of shares and liquidity	98.61% of the Paid-up Capital has been dematerialised as on 31.12.2012.

---

## REPORT ON CORPORATE GOVERNANCE (Contd.)

---

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 E-mail: <a href="mailto:rnt.helpdesk@linkintime.co.in">rnt.helpdesk@linkintime.co.in</a>

### B. 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**  
It is proposed to introduce in due course.
- 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, 22nd February, 2013



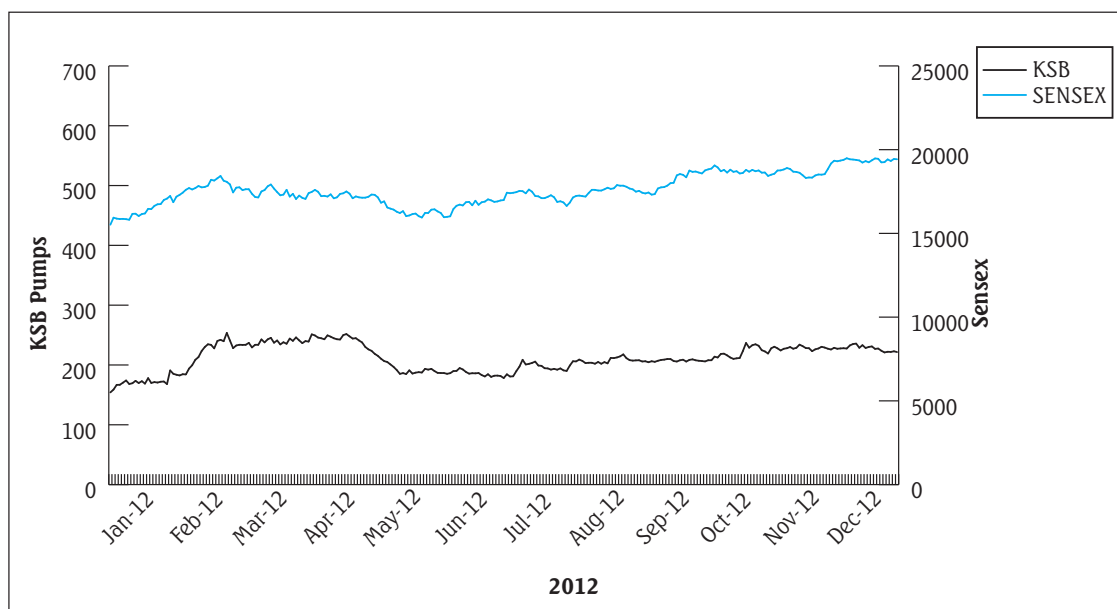
## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ANNEXURE A

#### Price and volume of shares traded

Month/Year	Bombay Stock Exchange Ltd.			National Stock Exchange of India Ltd.		
	High (₹)	Low (₹)	Volume traded	High (₹)	Low (₹)	Volume traded
January, 12	197.95	144.50	38376	199.00	139.00	55505
February, 12	266.00	180.15	121491	267.00	181.00	279130
March, 12	252.95	229.00	199528	255.20	225.60	183394
April, 12	255.95	221.25	85985	258.95	220.10	108038
May, 12	229.85	182.00	62889	230.00	180.00	58915
June, 12	195.90	177.25	19770	197.85	176.30	35897
July, 12	222.00	180.00	43714	225.00	179.80	135147
August, 12	222.00	199.00	36942	223.65	199.00	139189
September, 12	212.90	203.00	55161	215.85	202.50	124308
October, 12	240.95	204.35	348790	237.90	205.15	407691
November, 12	236.45	222.00	181402	238.00	220.10	126274
December, 12	236.50	216.30	40128	239.80	218.05	103717

### ANNEXURE B



## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ANNEXURE C

#### Distribution of shareholding as on 31st December, 2012

Number of shares held	Members		Shares	
	Number	%	Number	%
1-500	9849	81.69	1196266	3.44
501-1000	1028	8.53	789665	2.27
1001-2000	711	5.90	1069163	3.07
2001-3000	212	1.76	506473	1.46
3001-4000	87	0.72	310533	0.89
4001-5000	44	0.37	201156	0.58
5001-10000	57	0.47	404693	1.16
10001 and above	68	0.56	30329895	87.13
<b>TOTAL</b>	<b>12056</b>	<b>100.00</b>	<b>34807844</b>	<b>100.00</b>

#### Shareholding pattern as on 31st December, 2012

Category	No. of Members	No. of Shares held	% to the Capital
Indian Promoters	9	9140410	26.26
Foreign Promoters	1	14110848	40.54
Mutual Funds & UTI	14	3723787	10.70
Banks, Financial Institutions and Insurance Companies	5	358681	1.03
Foreign Institutional Investors	12	207982	0.60
Private Corporate Bodies	301	2205705	6.34
Indian Public / Trust	11423	4850090	13.93
Foreign Nationals / NRIs	291	210341	0.60
<b>Total</b>	<b>12056</b>	<b>34807844</b>	<b>100.00</b>

## 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 31<sup>st</sup> December, 2012, 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, no investor grievance is pending for a period exceeding one month as on 31<sup>st</sup> December, 2012 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

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

Mumbai, 22nd February, 2013

### Disclosure/Declaration under Listing Agreement

#### A. DISCLOSURE UNDER CLAUSE 32

Sr. No.	Disclosure of loans / advances / investments Outstanding during the year	As at 31 <sup>st</sup> December, 2012 ₹	Maximum amount during the year ₹
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	NIL	NIL
	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 2012.

W. Spiegel  
Managing Director

Mumbai, 22nd February, 2013

## 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, 2012
- (B) (a) Number of shares held by KSB Pumps Limited in  
Subsidiary Company 5,000 Equity shares of  
₹ 100 each
- (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, 2012 amounted to -
- (i) for the subsidiary's financial year ended as in (A) above ₹11.60 mio
- (ii) for the previous financial years of the subsidiary since  
it became the holding company's subsidiary ₹38.87 mio
- (b) dealt with in the accounts of KSB Pumps Limited  
for the year ended 31st December, 2012 amounted to -
- (i) for the subsidiary's financial year ended as in (A) above NIL
- (ii) for the previous financial years of the subsidiary since  
it became the holding company's subsidiary ₹18.00 mio

G. Swarup Chairman  
A.R. Broacha  
D.N. Damania  
N.N. Kampani  
Dr.A. Lee  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel Managing Director

M.G. Bhawe  
Mumbai, 22nd February, 2013 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 (₹)	Name of Previous Employer, Post held
Employed throughout the year					
Spiegel W.	61	Graduate Mechanical Engineer	Managing Director (Board Member)	01.01.2002 47 6,217,729	KSB AG, Germany - Head of Division (Industry, Water & Sewage)

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 employee is not relative of any Director of the Company.
- 4) The appointment is governed by the terms approved by members/Government of India.

On behalf of the Board of Directors

G. SWARUP  
Chairman

Mumbai, 22nd February, 2013

## ANNEXURE TO BOARD'S REPORT

### A. CONSERVATION OF ENERGY

The Company continues to undertake various initiatives to conserve energy. Improvements for conservation of energy are an ongoing process. Some of the recently implemented measures are installation of VFD on compressor, introduction of Auto programmer for office air conditioning system and introduction of online hydraulic oil filter unit for reducing the consumption of hydraulic oil.

### B. TECHNOLOGY ABSORPTION

#### 1. Performance and Product Improvements

Most of our submersible products handling water up to 7 lps are accredited as Energy Efficient Pumps with 4 and 5 Star labelling from Bureau of Energy Efficiency.

#### 2. Research and Development

Optimization of submersible motors is under progress. Development of submersible pumps with high head per stage is also under progress.

#### 3. Benefits of Research and Development

Recent introductions like domestic range of hydro pneumatic boosters and high suction self priming jet pump are well received in the market. Further extension of the range shall be undertaken in the near future.

#### 4. Future Plans

Introduction of end suction pumps for handling high temperature liquids.

### 5. Expenditure on Research and Development

	(₹ in million)	
	Year ended 31.12.2012	Year ended 31.12.2011
(a) Capital	-	-
(b) Recurring	2.06	1.07
(c) Total	2.06	1.07
(d) Total R&D	0.03	0.01
Expenditure as Percentage of total Turnover		

### 6. 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 ₹1034 million. Total foreign exchange earned during the year was ₹1106 million. Export orders outstanding for execution are ₹550 million. Total foreign exchange used during the year was ₹609 million.

On behalf of the Board of Directors

G Swarup  
Chairman

Mumbai, 22nd February, 2013

---

## AUDITORS' REPORT TO THE SHAREHOLDERS

---

- (1) We have audited the attached Balance Sheet of KSB Pumps Limited as at 31st December, 2012, the Statement of Profit and Loss 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, the statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv) in our opinion, the balance sheet, the statement of profit and loss 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, 2012;
    - b) in the case of the statement of profit and loss, 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2012, 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 M. Joshi**  
Partner

Membership No.: 038019

Pune, 22nd February, 2013



## 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, 2012.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (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.
- (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.
- (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.
- (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.
- (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 regard to the size of operations of the Company and have been properly dealt with in the books of accounts.
- (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.
- (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.
- (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.
- (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.
- (vi) The Company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

## ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- (viii) We have broadly reviewed the books of account maintained by the Company 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.
- (ix) (a) According to the records of the Company, apart from the certain instances of delays in depositing undisputed income tax deducted at source, Provident Fund, 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, Customs 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, 2012 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 (₹)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	772,000*	1994-1998	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Excise Duty	19,510,000*	2002-2007	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Excise Duty	411,000*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Delhi.
Excise Duty	635,000*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Delhi.
Excise Duty	975,585*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Chennai.
Service Tax	600,000	2004-2005	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	7,270,000	2005-2007	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	10,730,000*	2008-2009	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.

\* stay granted for recovery.

## ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- |  |  |
|--|--|
| <p>(x) The Company does not have any accumulated losses as at 31st December, 2012. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.</p> <p>(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.</p> <p>(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 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</p> | <p>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 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 M. Joshi**  
Partner  
Membership No.: 038019

Pune, 22nd February, 2013

## Balance Sheet as at 31st December, 2012

Particulars	Note No.	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
<b>I EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	3	348.08	348.08
(b) Reserves and surplus	4	3,910.79	3,553.14
		<u>4,258.87</u>	<u>3,901.22</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	-	0.03
(b) Other long-term liabilities	6	56.04	53.02
(c) Long-term provisions	7	227.65	183.71
		<u>283.69</u>	<u>236.76</u>
(3) Current liabilities			
(a) Short-term borrowings	8	168.52	631.55
(b) Trade payables	9	1,226.47	1,294.68
(c) Other current liabilities	10	838.19	775.93
(d) Short-term provisions	11	346.47	261.73
		<u>2,579.65</u>	<u>2,963.89</u>
<b>TOTAL</b>		<u><u>7,122.21</u></u>	<u><u>7,101.87</u></u>
<b>II ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12.A	1,566.74	1,513.15
(ii) Intangible assets	12.B	17.90	14.38
(iii) Capital work-in-progress		267.06	69.66
		<u>1,851.70</u>	<u>1,597.19</u>
(b) Non-current investments	13	63.56	63.56
(c) Deferred tax assets (net)	14	74.58	52.33
(d) Long-term loans and advances	15	486.96	421.48
(e) Other non-current assets - Long-term trade receivables (Unsecured, Considered Good)		8.61	48.03
		<u>2,485.41</u>	<u>2,182.59</u>
(2) Current assets			
(a) Inventories	16	1,935.35	1980.19
(b) Trade receivables	17	1,453.08	1822.47
(c) Cash and cash equivalents	18	1,002.07	817.39
(d) Short-term loans and advances	19	218.68	272.96
(e) Other current assets	20	27.62	26.27
		<u>4,636.80</u>	<u>4919.28</u>
<b>TOTAL</b>		<u><u>7,122.21</u></u>	<u><u>7,101.87</u></u>

See accompanying notes forming part of the financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhawe  
Company Secretary

Pune, 22nd February, 2013

G. Swarup	}	Chairman
A.R. Broacha		
D.N. Damania		
N.N. Kampani		
Dr.A. Lee		Directors
Pradip Shah		
Dr. W. Schmitt		
W. Spiegel		Managing Director

Mumbai, 22nd February, 2013

## Statement of Profit and Loss for the year ended 31st December, 2012

Particulars	Note No.	Year ended 31st December, 2012 ₹ in Million	Year ended 31st December, 2011 ₹ in Million
1 Revenue from operations (gross)	21	7,697.96	7,933.99
Less: Excise duty	21	(474.30)	(438.56)
Revenue from operations (net)		7,223.66	7,495.43
2 Other income	22	181.14	145.89
3 Total revenue (1+2)		7,404.80	7,641.32
4 Expenses			
Cost of materials consumed	23.a	3,415.15	4,147.91
Purchases of stock-in-trade		108.17	112.40
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23.b	58.10	(276.80)
Employee benefits expense	24	1,036.30	1,044.17
Finance costs	25	52.40	27.76
Depreciation and amortisation expense	12.A & 12.B	235.39	218.95
Other expenses	26	1,701.49	1,756.71
Expenditure transferred to capital account		(8.78)	(12.72)
Total expenses		6,598.22	7,018.38
5 Profit before tax (3 - 4)		806.58	622.94
6 Tax expense:			
(a) Current tax		265.10	207.00
(b) Short / (excess) provision in respect of earlier years		(16.43)	(8.45)
(c) Deferred tax		(22.25)	(5.43)
		226.42	193.12
7 Profit for the year (5 - 6)		580.16	429.82
8 Earnings per equity share (Face Value per share ₹ 10/-): (Refer Note 41)			
(a) Basic		16.67	12.35
(b) Diluted		16.67	12.35
See accompanying notes forming part of the financial statements			

In terms of our report attached to the Balance Sheet  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhawe  
Company Secretary

Pune, 22nd February, 2013

G. Swarup  
A.R. Broacha  
D.N. Damania  
N.N. Kampani  
Dr.A. Lee  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 22nd February, 2013

## Cash Flow Statement for the year ended 31st December, 2012

Particulars	2012		2011	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
A. Cash flow from operating activities				
Net Profit/(Loss) before tax		806.58		622.94
Adjustments for:				
Depreciation and amortisation	235.39		218.95	
(Profit)/loss on sale/write off of assets	(1.84)		0.42	
Finance costs	52.40		27.76	
Interest income	(103.34)		(81.87)	
Income from non-trade investments (non-current)	(38.96)		(38.96)	
Dividend from subsidiary company	-		(8.00)	
Unrealised exchange (gain)/loss	(5.17)		(1.66)	
		138.48		116.64
Operating profit/(loss) before working capital changes		945.06		739.58
Adjustment for changes in working capital:				
Inventories	44.84		(395.18)	
Trade receivables	369.39		(695.48)	
Short-term loans and advances	54.28		92.35	
Long-term loans and advances	(26.32)		(149.88)	
Other non-current assets - Long-term trade receivables	39.42		(48.03)	
Trade payables	(68.21)		75.22	
Other current liabilities	56.20		170.21	
Other long-term liabilities	3.02		4.41	
Short-term provisions	(5.83)		4.14	
Long-term provisions	43.94		55.94	
		510.73		(886.30)
Cash generated from operations		1,455.79		(146.72)
Direct taxes paid		(209.41)		(166.09)
Net cash flow from/(used in) operating activities (A)		1,246.38		(312.81)
B. Cash flow from investing activities				
Purchase of Fixed Assets	(534.27)		(245.20)	
Proceeds from sale of fixed assets	3.52		1.34	
Interest received	101.99		69.68	
Income from non-trade investments (non-current)	38.96		38.96	
Dividend from subsidiary company	-		8.00	
Net cash flow from/(used in) investing activities (B)		(389.80)		(127.22)

## Cash Flow Statement for the year ended 31st December, 2012

Particulars	2012		2011	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
C. Cash flow from financing activities				
Working capital borrowings	(463.03)		495.39	
Finance cost	(52.40)		(27.76)	
Dividends paid	(139.05)		(174.07)	
Tax on dividend	(22.59)		(28.77)	
Net cash flow from/(used in) financing activities (C)		(677.07)		264.79
D. Unrealized exchange gain/ (loss) in cash and cash equivalents (D)		5.17		1.66
Net increase / (decrease) in Cash and cash equivalents (A+B+C+D)		184.68		(173.58)
Cash and cash equivalents (Opening Balance)		817.39		990.97
Cash and cash equivalents (Closing Balance)		1002.07		817.39

Cash and cash equivalents at the end of the year include:	As at 31st Dec., 2012	As at 31st Dec., 2011	As at 31st Dec., 2010
(a) Cash on hand	0.41	0.39	0.37
(b) Balances with banks			
(i) In current accounts	205.52	82.62	287.55
(ii) In deposit accounts	793.90	732.31	700.96
(iii) In unpaid dividend/deposits account	2.24	2.07	2.09
Cash and Cash equivalents at the end of the year	1,002.07	817.39	990.97

### Notes:

- (i) Figures in brackets represent outflows of cash and cash equivalents

In terms of our report attached to the Balance Sheet  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhavé  
Company Secretary

Pune, 22nd February, 2013

G. Swarup  
A.R. Broacha  
D.N. Damania  
N.N. Kampani  
Dr.A. Lee  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 22nd February, 2013

## Notes forming part of the financial statements

Note	Particulars										
1	<p><b>Company Overview</b></p> <p><b>Products:</b> The Company is engaged in the business of manufacture of different types of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.</p> <p><b>Operations:</b> The Company has factories at the following places:-</p> <p>A) Irrigation and Process Pumps Division (I.P.D.) at Pimpri Manufacturing of submersible pumps, vertical and horizontal pumps, series and non-series pumps, Multistage pumps, chemical process pumps, non-clog pumps and water pumps.</p> <p>B) Power Projects Division (P.P.D.) at Chinchwad Manufacturing of primary heat transfer pumps, moderator pumps, main boiler feed pumps and multistage condense extraction pumps, re-heater drain pumps and auxiliary boiler feed pumps.</p> <p>C) Foundry Division at Vambhori Manufacturing of steel &amp; iron castings including for captive consumption.</p> <p>D) Coimbatore Unit Manufacturing of valves (Globe, Gate, Check, Butterfly &amp; Ball valves).</p> <p>E) Nasik Unit (Sinnar) Established in 1995, this unit is engaged in the manufacture of high pressure and submersible pumps.</p>										
2	<p><b>Significant accounting policies</b></p>										
2.1	<p><b>Fixed assets and depreciation/amortisation:</b></p> <p>(a) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.</p> <p>(b) Depreciation/amortisation on fixed assets:</p> <p>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:</p> <table> <tr> <td>Jigs &amp; fixtures</td><td>- 33% (SLM)</td></tr> <tr> <td>Furniture &amp; fixtures</td><td>- 37% (WDV)</td></tr> <tr> <td>Office equipments</td><td>- 10% (SLM)</td></tr> <tr> <td>Electrical installations</td><td>- 10% (SLM)</td></tr> <tr> <td>Vehicles</td><td>- 60% (WDV)</td></tr> </table> <p>Leasehold land and assets taken on lease are amortised over the period of the lease.</p> <p>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%</p>	Jigs & fixtures	- 33% (SLM)	Furniture & fixtures	- 37% (WDV)	Office equipments	- 10% (SLM)	Electrical installations	- 10% (SLM)	Vehicles	- 60% (WDV)
Jigs & fixtures	- 33% (SLM)										
Furniture & fixtures	- 37% (WDV)										
Office equipments	- 10% (SLM)										
Electrical installations	- 10% (SLM)										
Vehicles	- 60% (WDV)										
2.2	<p><b>Investments</b></p> <p>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.</p>										
2.3	<p><b>Inventories</b></p> <p>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. Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.</p>										
2.4	<p><b>Sundry debtors and advances</b></p> <p>Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.</p>										
2.5	<p><b>Foreign exchange transactions</b></p> <p>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 Statement of Profit and Loss. Premium/Discount in respect of Forward Contracts is accounted for over the period of contract.</p>										
2.6	<p><b>Revenue Recognition</b></p> <p>(i) Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers.</p> <p>(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.</p> <p>(iii) Income from services rendered is accounted for when the work is performed.</p>										



## Notes forming part of the financial statements (Contd.)

Note	Particulars
2.7	<p><b>Employee Benefits</b></p> <p>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 Statement of Profit and Loss. 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.</p>
2.8	<p><b>Product Warranty</b></p> <p>Cost of product warranties is disclosed under the head</p> <ul style="list-style-type: none"> <li>(i) 'raw materials and components consumed' as consists of free replacement of spares.</li> <li>(ii) 'miscellaneous expenses' which includes provision for warranties.</li> </ul>
2.9	<p><b>Taxes on Income</b></p> <p>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.</p>
2.10	<p><b>Leases</b></p> <p>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.</p>
2.11	<p><b>Borrowing Costs</b></p> <p>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.</p>
2.12	<p><b>Cash Flow Statement</b></p> <p>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.</p>
2.13	<p><b>Use of Estimates</b></p> <p>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/ materialised.</p>
2.14	<p><b>Provisions, Contingent Liabilities and Contingent Assets</b></p> <p>As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, 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.</p> <p>No provision is recognised for:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(ii) Any present obligation that arises from past events but is not recognized because <ul style="list-style-type: none"> <li>- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or</li> <li>- A reliable estimate of the amount of obligation cannot be made.</li> </ul> </li> </ul> <p>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 recognised in the financial statements since this may result in the recognition of income that may never be realised.</p>
2.15	<p><b>Earnings per share</b></p> <p>The Company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share.</p> <p>Basic earnings per share is computed by dividing the profit for the year after tax by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year after tax 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.</p>

## Notes forming part of the financial statements (Contd.)

### Note 3 - Share capital

Particulars	As at 31st December, 2012		As at 31st December, 2011	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Authorised:				
Equity shares of ₹ 10/- each.	40,000,000	400.00	40,000,000	400.00
Issued, Subscribed and Fully Paid-up:				
Equity shares of ₹ 10/- each.	34,807,844	348.08	34,807,844	348.08
Total	34,807,844	348.08	34,807,844	348.08

- (i) Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:

	As at 31st December, 2012		As at 31st December, 2011	
	₹ in Million	Number of shares	₹ in Million	Number of shares
No. of shares outstanding at the beginning				
- Equity shares	348.08	34,807,844	174.04	17,403,922
Add: Additional shares issued				
- Equity shares (Bonus issue)	-	-	174.04	17,403,922
Less: Shares forfeited/Bought back				
- Equity shares	-	-	-	-
No. of shares outstanding at the end				
- Equity shares	348.08	34,807,844	348.08	34,807,844

- (ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each shareholder of equity shares is entitled to one vote per share.
- (iii) Aggregate number of equity shares allotted as fully paid-up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 17,403,922
- (iv) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Particulars	As at 31 December, 2012		As at 31 December, 2011	
	No of shares	% of shares held	No of shares	% of shares held
Canadian Kay Pump Ltd.	14,110,848	40.54%	14,110,848	40.54%
The Industrial & Prudential Investment Co. Ltd.	7,140,000	20.51%	7,140,000	20.51%
Reliance Capital Trustee Company Limited (held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	2,740,280	7.87%	2,767,630	7.95%

- (v) The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

## Notes forming part of the financial statements (Contd.)

### Note 4 - Reserves and surplus

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Capital reserve		
Opening balance	0.09	0.09
Add: Additions	-	-
Less: Utilised / transferred	-	-
Closing balance	0.09	0.09
Capital redemption reserve		
Opening balance	0.10	0.10
Add: Additions	-	-
Less: Utilised / transferred	-	-
Closing balance	0.10	0.10
Securities premium account		
Opening balance	3.20	3.20
Add: Premium on shares issued	-	-
Less: Utilised	-	-
Closing balance	3.20	3.20
General reserve		
Opening balance	898.08	1,027.12
Add: Transferred from surplus in Statement of Profit and Loss	60.00	45.00
Less: Transferred to share capital following capitalisation (Bonus Issue)	-	174.04
Closing balance	958.08	898.08
Amalgamation Reserve		
Opening balance	0.06	0.06
Add: Additions/transfers	-	-
Less: Utilisations/transfers	-	-
Closing balance	0.06	0.06
Surplus in Statement of Profit and Loss		
Opening balance	2,651.61	2,428.61
Add: Transferred from Profit and Loss Account	580.16	429.82
Less: First interim dividend	34.81	34.81
Second interim dividend	156.64	-
Proposed dividend (₹ Nil per share) (previous year ₹ 3 per share)	-	104.42
Tax on first interim dividend	5.65	5.65
Tax on second interim dividend	25.41	-
Tax on proposed dividend	-	16.94
Transferred to General reserve	60.00	45.00
Closing balance	2,949.26	2,651.61
Total	3,910.79	3,553.14

## Notes forming part of the financial statements (Contd.)

### Note 5 - Long-term borrowings

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Long-term maturities of finance lease obligations (Unsecured) (Refer Note 36)	-	0.03
Total	-	0.03

### Note 6 - Other long-term liabilities

Other than trade payables:		
Other Payables (includes Deposits received from dealers, etc.)	56.04	53.02
Total	56.04	53.02

### Note 7 - Long-term provisions

Provision for employee benefits (Refer Note 37)	218.90	175.63
Other Provisions:		
Provision for Warranty (Refer Note 40)	8.75	8.08
Total	227.65	183.71

### Note 8 - Short-term borrowings

Loans Repayable on Demand		
Working Capital Facilities/ Packing credit from banks (Secured)	151.72	631.55
Book overdraft (Unsecured)	16.80	-
Total	168.52	631.55

Note:

(i) Details of security for the secured short-term borrowings:

Particulars	Nature of security	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Working Capital Facility -1	Pledge of Fixed Deposits of ₹ 220 Million (previous year ₹ 220 Million)	2.04	189.92
Working Capital Facility -2	Pledge of Fixed Deposits of ₹ 433.76 Million (Previous year ₹ 433.76 Million) and hypothecation of stocks including loose tools, stores and spares, book debts.	40.21	406.92
Working Capital Facility -3	Hypothecation of stocks including loose tools, stores and spares, book debts.	109.47	34.71
Total		151.72	631.55

## Notes forming part of the financial statements (Contd.)

### Note 9 - Trade payables

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Trade payables	1,226.47	1,294.68
Total	1,226.47	1,294.68

### Note 10 - Other current liabilities

Current maturities of finance lease obligations (Refer Note 36)	0.02	0.17
Unclaimed Dividend	2.24	2.06
Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	148.07	200.23
(ii) Payables for purchase of fixed assets	10.75	4.72
(iii) Advances from customers	512.18	422.23
(iv) Others (Liquidated damages, Donation etc.)	164.93	146.52
Total	838.19	775.93

### Note 11 - Short-term provisions

Provision for employee benefits (Refer Note 37)	63.57	50.61
Provision - Others:		
(i) Tax provisions less payments (current tax)	36.34	6.46
(ii) Provision for Warranty (Refer Note 40)	17.49	16.17
(iii) Second interim dividend	156.64	-
(iv) Proposed dividend	-	104.42
(v) Tax on second interim dividend	25.41	-
(vi) Tax on proposed dividend	-	16.94
(vii) Provision - others (for statutory levies) (Refer Note 40)	47.02	67.13
	282.90	211.12
Total	346.47	261.73

## Note 12 - Fixed assets - Tangible and Intangible assets

## Notes forming part of the financial statements (Contd.)

Particulars	Gross block			Depreciation/Amortisation			Net block	
	As at 31st December, 2011	Additions during the year	Deductions during the year	As at 31st December, 2012	Upto 31st December, 2011	Provided during the year	Deductions during the year	Upto 31st December, 2012
<b>A. Tangible Assets</b>								
(a) Land								
- Freehold	3.01	-	-	3.01	-	-	-	3.01
- Leasehold	15.51	-	0.36	15.15	3.01	0.19	0.34	12.29
(b) Buildings (See Note)	495.14	43.34	2.62	535.86	230.62	28.25	1.52	278.51
(c) Plant and Equipment	2,468.08	227.42	29.66	2,665.84	1,299.08	178.99	29.54	1,448.53
(d) Furniture and Fixtures	76.39	2.37	0.08	78.68	62.92	5.80	0.08	10.04
(e) Vehicles								
- Owned	46.12	3.43	2.46	47.09	33.22	7.70	2.19	38.73
- Taken under finance lease (Refer Note 36)	0.90	-	0.69	0.21	0.85	0.01	0.66	0.20
(f) Office equipment	77.81	6.78	1.36	83.23	40.11	7.13	1.22	46.02
(g) Development of Property	0.04	-	-	0.04	0.04	-	-	0.04
<b>Total Tangible Assets</b>	<b>3,183.00</b>	<b>283.34</b>	<b>37.23</b>	<b>3,429.11</b>	<b>1,669.85</b>	<b>228.07</b>	<b>35.55</b>	<b>1,862.37</b>
Previous year	3,026.54	221.74	65.28	3,183.00	1,519.77	213.60	63.52	1,669.85
<b>B. Intangible Assets</b>								
(other than internally generated)								
(a) Computer software	28.36	7.92	-	36.28	21.43	5.90	-	27.33
(b) Copyrights, patents and other intellectual property rights, services and operating rights	53.53	2.92	-	56.45	46.08	1.42	-	47.50
<b>Total Intangible Assets</b>	<b>81.89</b>	<b>10.84</b>	<b>-</b>	<b>92.73</b>	<b>67.51</b>	<b>7.32</b>	<b>-</b>	<b>74.83</b>
Previous year	68.66	13.23	-	81.89	62.16	5.35	-	67.51

Note:

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

## Notes forming part of the financial statements (Contd.)

### Note 13 - Non-current investments

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Unquoted, Non-trade		
Investment in equity instruments of subsidiary (at cost)		
Pofran Sales & Agency Ltd. - 5,000 (previous year 5,000) equity shares of ₹ 100 each fully paid	0.50	0.50
Investment in equity instruments of associate (at cost)		
MIL Controls Limited - 735,000 (previous year -735,000) equity shares of ₹ 10 each fully paid.	62.65	62.65
Investment in equity instruments of Other Entities (at cost)		
Pravara Electric Co-operative Society Limited Mula - 15,995 (previous year - 15,995) shares of ₹ 25 each fully paid.	0.40	0.40
Investment in government securities - Indira Vikas Patra	0.01	0.01
Total	<u>63.56</u>	<u>63.56</u>

### Note 14 - Deffered Tax Assets (Net)

(i) Break up of deferred tax liability as at year end:		
Nature of timing difference		
Provision for Depreciation	90.18	88.29
Total	<u>90.18</u>	<u>88.29</u>
(ii) Break up of deferred tax asset as at year end:		
Nature of timing difference		
Provision for compensated absences and gratuity	91.66	73.41
Provision for doubtful debts and advances	34.68	20.61
Others	38.42	46.60
Total	<u>164.76</u>	<u>140.62</u>
(iii) Deferred tax Asset/(Liability) Net	74.58	52.33

### Note 15 - Long-term loans and advances

(Unsecured - considered good unless otherwise stated)

Capital advances	75.18	26.64
Security Deposits		
Considered good	25.54	30.25
Considered Doubtful	8.37	3.48
	<u>33.91</u>	<u>33.73</u>
Less: Provision for doubtful security deposits	8.37	3.48
	<u>25.54</u>	<u>30.25</u>
Other loans and advances		
- Loans and advances to employees	20.38	21.77
- Taxes paid in advance less provisions (current tax)	103.35	112.73
- Balances with government authorities - VAT credit receivable etc.		
Considered Good	262.14	229.86
Considered Doubtful	20.90	-
	<u>283.04</u>	<u>229.86</u>
Less: Provision for other doubtful loans and advances	20.90	-
	<u>262.14</u>	<u>229.86</u>
- Prepaid Expenses	0.37	0.23
Total	<u>486.96</u>	<u>421.48</u>

## Notes forming part of the financial statements (Contd.)

### Note 16 - Inventories

(at cost or net realisable value whichever is lower)

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Raw materials (including Goods-in-transit ₹ 1.50 millions (previous year ₹ 16.70 millions))	546.73	538.72
Work-in-progress	906.54	873.33
Finished goods	338.71	429.42
Stock-in-trade (in respect of goods acquired for trading)	85.60	86.20
Stores and spares	42.10	28.95
Loose tools	15.67	23.57
Total	<u>1,935.35</u>	<u>1,980.19</u>

### Note 17 - Trade receivables

(Unsecured - considered good unless otherwise stated)

Trade receivables outstanding for a period exceeding six months from  
the date they were due for payment

Considered good	134.48	81.10
Doubtful	<u>72.19</u>	<u>54.03</u>
	206.67	135.13
Other Trade receivables		
Considered good	1,318.60	1,741.37
Doubtful	<u>-</u>	<u>0.60</u>
	1,318.60	1,741.97
Total	<u>1,525.27</u>	<u>1,877.10</u>
Less: Provision for doubtful trade receivables	<u>72.19</u>	<u>54.63</u>
Total	<u>1,453.08</u>	<u>1,822.47</u>

### Note 18 - Cash and cash equivalents

Cash on hand	0.41	0.39
Balances with banks		
- In current accounts	205.52	82.62
- In deposit accounts	140.14	78.55
- In earmarked accounts		
- Unpaid dividend accounts	2.24	2.06
- Unpaid matured deposits	-	0.01
- Balances held as security against borrowings	653.76	653.76
Total	<u>1,002.07</u>	<u>817.39</u>



## Notes forming part of the financial statements (Contd.)

### Note 19 - Short-term loans and advances

(Unsecured - considered good unless otherwise stated)

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Loans and advances to related parties (Refer Note 38)	13.08	5.21
Other Loans and Advances		
- Employee advances	12.87	11.54
- Prepaid expenses	9.92	6.68
- Balances with government authorities (CENVAT and Service Tax receivable)	83.22	142.61
- Others (includes Advances to Suppliers, DEPB Receivable, Insurance Claim Receivable, etc.)		
Considered good	99.59	106.92
Considered Doubtful	5.40	5.40
	104.99	112.32
Less: Provision for other doubtful loans and advances	5.40	5.40
	99.59	106.92
Total	218.68	272.96
Note 20 - Other current assets		
Interest accrued on fixed deposits	27.62	26.27
Total	27.62	26.27

## Notes forming part of the financial statements (Contd.)

### Note 21 - Revenue from operations

Particulars	For the Year ended 31st December, 2012 ₹ in Million	For the Year ended 31st December, 2011 ₹ in Million
Sale of products	7,502.61	7,761.62
Sale of services	155.73	131.58
Other operating revenues		
- Scrap Sale	23.78	29.02
- Export Incentive	15.84	11.77
	<u>7,697.96</u>	<u>7,933.99</u>
Less:		
Excise duty	(474.30)	(438.56)
Total	<u>7,223.66</u>	<u>7,495.43</u>

### Note 22 - Other income

Interest on Bank deposits, Income tax refunds, delayed payments from dealers/customers, etc.	103.34	81.87
Dividend income from Non-trade investments (non-current)	38.96	38.96
Dividend from subsidiary company	-	8.00
Sundry credit balances & Provisions no longer required, written back	10.90	-
Profit on sale/ disposal/ write off of fixed assets	1.84	-
Other non-operating income (net of expenses directly attributable to such income)	26.10	17.06
Total	<u>181.14</u>	<u>145.89</u>

### Note 23. a - Cost of materials consumed

Raw Materials and Components Consumed (Refer Note 30d)	3,415.15	4,147.91
Cost of materials consumed	<u>3,415.15</u>	<u>4,147.91</u>

### Note 23. b - Changes in inventories of finished goods, work-in-progress and stock-in-trade

#### Inventories at the end of the year:

Finished goods	338.71	429.42
Work-in-progress	906.54	873.33
Stock in trade	85.60	86.20
	<u>1,330.85</u>	<u>1,388.95</u>

#### Inventories at the beginning of the year:

Finished goods	429.42	344.24
Work-in-progress	873.33	760.37
Stock in trade	86.20	7.54
	<u>1,388.95</u>	<u>1,112.15</u>
Net (increase)/decrease	<u>58.10</u>	<u>(276.80)</u>

### Note 24 - Employee benefit expenses

Salaries and wages	865.90	861.44
Contributions to provident and other funds (Refer Note 37)	94.68	105.26
Staff welfare expenses	75.72	77.47
Total	<u>1,036.30</u>	<u>1,044.17</u>

### Note 25 - Finance costs

Interest expense	52.40	27.76
Total	<u>52.40</u>	<u>27.76</u>

## Notes forming part of the financial statements (Contd.)

### Note 26 - Other expenses

Particulars	For the Year ended 31st December, 2012	For the Year ended 31st December, 2011
	₹ in Million	₹ in Million
Processing & Machining Charges	295.09	296.59
Stores Consumed	112.40	136.51
Tools Consumed	55.21	48.41
Water Power and fuel	143.56	139.52
Rent	9.85	8.16
Excise duty relating to increase/(decrease) in finished goods stock	0.10	6.66
Rates and taxes (Refer Note 40)	(2.64)	16.51
Insurance (Net)	3.31	3.08
Repairs and maintenance - Buildings	13.61	3.46
- Machinery	60.05	39.89
- Others	83.57	76.17
	157.23	119.52
Travelling and conveyance	58.64	73.88
Packing & Forwarding Charges (net of recoveries - ₹ 37.02 million; previous year ₹ 42.96 million)	205.36	216.26
Directors' fees	0.41	0.38
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1.30	1.30
Tax audit fees	0.30	0.30
Accounts for tax purposes	0.45	0.45
Company law matters	0.01	0.01
Fees for other services	1.40	1.30
Reimbursement of out of pocket expenses	0.13	0.23
	3.59	3.59
Cost Audit Fees	0.38	0.18
Sales commission		
Sole Selling agents	103.36	70.07
Other Selling agents	17.49	24.65
	120.85	94.72
Cash and Quantity Discount	102.64	86.18
Royalty Charges	29.87	41.57
In respect of late delivery under contracts	1.96	51.53
Provision for doubtful receivables and advances (net)	43.35	(11.71)
Legal and professional (including SAP implementation/ upgradation expences ₹ - Nil; previous year - ₹ 75.27 million)	27.98	106.42
Net loss on foreign currency transactions and translation	17.61	13.27
Loss on sale/disposal/write off of fixed assets	-	0.42
Miscellaneous expenses	314.74	305.06
Total	1,701.49	1,756.71

## Notes forming part of the financial statements (Contd.)

### Note 27 - Contingent Liabilities and Commitments

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debts	7.44	5.97
(b) Taxation matters in dispute pending at various stages of appeal	50.61	63.82
(c) Bills Discounted / Cheques purchased with banks	26.79	25.55
(d) Excise matters	70.83	58.20
(e) Guarantees given by the bankers on behalf of the Company	970.70	922.36
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for -		
- Tangible Assets	83.85	73.86

### Note 28

- Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31/12/2012 is ₹ Nil (Previous year – ₹ 3.29 million) including unpaid amounts of ₹ Nil (Previous year – ₹ 1.44 million) outstanding for more than 45 days. Estimated interest due thereon is ₹ Nil (Previous year - ₹ 0.05 million).
- Amount of payments made to suppliers beyond 45 days during the year is ₹ 0.45 million (Previous year – ₹ 103.45 million). Interest paid thereon is ₹ Nil (Previous year – ₹ Nil) and the estimated interest due and payable thereon is ₹ Nil (Previous year - ₹ 1.26 million).
- The amount of estimated interest accrued and remaining unpaid as at 31/12/2012 is ₹ 1.71 million (Previous year – ₹ 1.71 million).
- The amount of estimated interest due and payable for the period from 01/01/2013 to actual date of payment or 08/02/2013 (whichever is earlier) is ₹ Nil

### Note 29 - (a) Details on derivatives instruments (for hedging)

Outstanding forward exchange contracts entered into by the Company as on 31st December, 2012.

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million		Purpose
	Current Year	Previous year	Current Year	Previous year	
Forward Cover	USD 8,573,870 Euro 696,876	USD 9,371,332 Euro 1,130,996	462.81 49.58	467.60 77.93	Covering Trade Receivables and future sales
Forward Cover	USD 180,000 Euro 823,155	USD 539,324 Euro 113,664	10.03 60.70	24.96 7.53	Covering Trade Payables and future purchases

### (b) Details of year-end foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million	
	Current Year	Previous year	Current Year	Previous year
Trade Payables	USD 4,107,814 Euro 751,462	USD 5,190,324 Euro 1,035,163	228.80 55.41	280.23 72.41
Trade Receivables	USD 772,078 Euro 321,358	USD 1,480,723 Euro 436,271	41.68 22.86	76.99 29.30
Bank balances	USD 2,268,059 Euro 97,170	USD 882,141 Euro 27,985	122.43 6.91	45.87 1.88

### Note 30 - CIF Value of Imports

Particulars	Year ended 31st December, 2012 ₹ in Million	Year ended 31st December, 2011 ₹ in Million
Raw materials and components	152.54	201.65
Stores, spares and tools	6.91	5.42
Capital goods	92.15	44.14
Items imported for resale	93.75	89.79
Total	345.35	341.00

## Notes forming part of the financial statements (Contd.)

### Note 30b. - Value of imported and indigenous raw materials, spare parts and components consumed

Particulars	For the year ended 31st December, 2012		For the year ended 31st December, 2011	
	₹ in Million	%	₹ in Million	%
Raw materials and Bought-out components:				
Imported at landed cost	126.03	3.69%	159.14	3.84%
Indigenously obtained	3,289.12	96.31%	3,988.77	96.16%
Total	3,415.15	100.00%	4,147.91	100.00%

Note:

Components and spare parts referred to in paragraph 5(viii)(c) of Part II of revised 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.

### Note 30c. - Details of Goods purchased for Trading under broad heads

₹ in Million

Particulars	Goods Purchased for trading	
	As at 31st December, 2012	As at 31st December, 2011
Pumps	94.05	90.72
Valves	6.72	16.28
Spares	7.40	5.40
Total	108.17	112.40

### Note 30d. - Details of Raw Material Consumption and Raw Material Stock under broad heads

₹ in Million

Particulars	Raw Material Consumed		Raw Material Stock	
	For the year ended 31st December, 2012	For the year ended 31st December, 2011	For the year ended 31st December, 2012	For the year ended 31st December, 2011
Castings	650.31	750.63	148.02	142.13
Electric motors	127.16	233.56	12.48	6.09
Winding wire & cables	166.31	208.61	19.69	11.63
Forgings	131.54	179.95	42.25	48.84
Stampings	118.48	161.21	25.15	20.98
Steels	98.48	132.08	31.52	24.24
Metal Scrap	101.17	105.29	28.65	12.36
Pig Iron	44.49	46.76	1.63	3.76
Melting additions	54.58	43.45	10.43	5.46
Other metals & bought-out components	1,922.63	2,286.37	226.91	263.23
Total	3,415.15	4,147.91	546.73	538.72

Notes:

- As the Company also sells as spare parts (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 5(ii)(b) of Part II of Revised Schedule VI to the Companies Act, 1956.
- 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.

### Note 30e. - Details of Work-in-Progress Stock under broad heads

₹ in Million

Particulars	WIP Opening Stock		WIP Closing Stock	
	As at 1st January, 2012	As at 1st January, 2011	As at 31st December, 2012	As at 31st December, 2011
Pumps	663.37	602.08	675.19	663.37
Valves	140.39	117.83	98.88	140.39
Others	69.57	40.46	132.47	69.57
Total	873.33	760.37	906.54	873.33

## Notes forming part of the financial statements (Contd.)

### Note 30f - Details of Sales of Products and Finished Goods (FG) Stock under broad heads ₹ in Million

Particulars	FG Opening Stock		FG Closing Stock		Sales (Net)	
	As at 1st January, 2012	As at 1st January, 2011	As at 31st December, 2012	As at 31st December, 2011	For the year ended on 31st December, 2012	For the year ended on 31st December, 2011
I. a) Power Driven Pumps	270.42	203.39	198.14	270.42	4,875.10	5,247.80
b) Spares for above	-	-	-	-	557.26	547.10
II. a) Industrial Valves	159.00	140.84	140.57	159.00	1,423.41	1,395.68
b) Spares for above	-	-	-	-	34.91	10.78
III. Castings - Carbon Steel, Alloy Steel & Alloy Iron Castings	-	-	-	-	2.80	6.37
IV. Export Incentives	-	-	-	-	15.84	11.77
V. Income from Services	-	-	-	-	155.73	131.58
VI. Pumps for resale	81.17	7.54	82.14	81.17	117.61	104.13
VII. Valves for resale	2.36	-	-	2.36	9.35	10.13
VIII. Spares for resale	2.67	-	3.46	2.67	7.87	1.07
IX. Scrap Sales	-	-	-	-	23.78	29.02
Total	515.62	351.77	424.31	515.62	7,223.66	7,495.43

Notes:

- In addition to spares purchased for re-sale, the Company also sells as spares some of its bought-out components. The Company is of the opinion that the purchase and 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 5(ii)(b) of revised Schedule VI of the Companies Act, 1956.

### Note 31 - Expenditure in foreign currency (disclosed on accrual basis)

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
(i) Royalty (net of tax)	26.88	37.42
(ii) Professional fees (net of tax)	47.59	46.91
(iii) Technical services (net of tax)	2.55	0.22
(iv) Other matters	128.59	116.47

### Note 32 - Earnings in foreign currency

(i) Exports at FOB value *	1,033.56	700.69
(ii) Recovery of packing and forwarding charges	5.58	3.77
(iii) Service charges	18.40	18.80
(iv) Technical services	13.31	11.47
(v) Commission	35.10	35.59
(vi) Others	-	13.05

\* Excludes ₹ 17.72 million (previous year - ₹ 16.36 million) on account of exports to Nepal, consideration for which is receivable in Indian Rupees.

### Note 33 - Amounts remitted in foreign currency during the year on account of dividend

Particulars	Paid in Year 2012		Paid in Year 2011	
	Final	Interim	Final	Interim
(i) Year to which the dividend relates	2011	2012	2010	2011
(ii) Number of non resident shareholders to whom remittance was made	216	215	212	224
(iii) Number of shares on which remittance was made	14,385,562	14,418,593	7,273,323	14,548,355
(iv) Amount remitted (₹ in Million)	43.16	14.42	58.19	14.55

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.

## Notes forming part of the financial statements (Contd.)

**Note 34** - Research and Development expenditure debited to the Statement of Profit and Loss aggregating ₹ 2.06 million (previous year - ₹ 1.07 million) has been incurred by the Company and disclosed under appropriate account heads.

**Note 35** - The net exchange differences arising during the year recognised appropriately in the Statement of Profit and Loss - net loss- ₹ 17.61 million (previous year - net loss- ₹ 13.27 million)

**Note 36** - 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 ₹ 0.04 million (previous year – ₹ 0.22 million) and the present value of total minimum lease payments as at the balance sheet date is ₹ 0.02 million (previous year – ₹ 0.20 million)
- (ii) Total of minimum lease payments at the balance sheet date: ₹ in Million

Particulars	Total minimum lease payments at the balance sheet date		Present Value of minimum lease payments	
	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	0.04	0.17	0.02	0.17
Later than one year and not later than five years	-	0.05	-	0.03
Total	0.04	0.22	0.02	0.20

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

### Note 37 Disclosures under Accounting Standards

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

#### 37.1.a Defined contribution Plan

Amount recognised as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plan is ₹ 43.72 million (previous year ₹ 44.23 million)

#### 37.1.b Defined benefit plans

- 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 ₹ 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.



## Notes forming part of the financial statements (Contd.)

₹ in Million

	Particulars	Gratuity		Superannuation	
(A)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows:	Year 2012	Year 2011	Year 2012	Year 2011
1	Present Value of Defined Benefit Obligation as at 1st January	315.40	260.21	23.17	21.74
2	Current Service cost	24.84	20.53	1.41	1.38
3	Interest cost	26.10	20.30	1.73	1.64
4	Losses (gains) on Curtailment	-	-	-	-
5	Liabilities extinguished on settlements	-	-	-	-
6	Plan amendments	-	-	-	-
7	Actuarial (gains)/losses	14.30	33.52	0.46	1.41
8	Benefits paid	(23.84)	(19.16)	(6.14)	(3.00)
9	Present Value of Defined Benefit Obligation as at 31st December	356.80	315.40	20.63	23.17
(B)	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	222.94	192.09	22.80	23.29
2	Expected return on plan assets	16.88	15.88	1.62	1.80
3	Actuarial gains and (losses)	(0.05)	2.18	0.02	(0.60)
4	Actual contributions by employers	-	31.95	1.16	1.31
5	Benefits paid	(23.84)	(19.16)	(6.14)	(3.00)
6	Plan assets as at 31st December	215.93	222.94	19.46	22.80
(C)	Analysis of Defined Benefit Obligation:				
1	Defined Benefit Obligation as at 31st December	356.80	315.40	20.63	23.17
2	Fair Value of Plan Assets at the end of year	(215.93)	(222.94)	(19.46)	(22.80)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	140.87	92.46	1.17	0.37
(D)	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	356.80	315.40	20.63	23.17
2	Fair value of plan assets	215.93	222.94	19.46	22.80
3	Funded status [Surplus/(Deficit)]	(140.87)	(92.46)	(1.17)	(0.37)
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/(Liability) recognised in Balance Sheet	(140.87)	(92.46)	(1.17)	(0.37)
(E)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	24.84	20.53	1.41	1.38
2	Interest cost	26.10	20.30	1.73	1.64
3	Expected return on plan assets	(16.88)	(15.88)	(1.62)	(1.80)
4	Curtailment cost/(credit)	-	-	-	-
5	Settlement cost/(credit)	-	-	-	-
6	Past Service cost	-	-	-	-
7	Actuarial Losses/(Gains)	14.35	31.34	0.44	2.01
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	48.41	56.29	1.96	3.23

## Notes forming part of the financial statements (Contd.)

	Particulars	Gratuity		Superannuation	
		Year 2012	Year 2011	Year 2012	Year 2011
(F)	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"				
(G)	Actuarial Assumptions:				
1	Discount Rate (%)	8.30	8.60	8.30	8.60
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 (%)	7.00	7.00	7.00	7.00

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.

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.

Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

₹ in Million

(H) Experience History	Gratuity					Superannuation				
	Year 2012	Year 2011	Year 2010	Year 2009	Year 2008	Year 2012	Year 2011	Year 2010	Year 2009	Year 2008
1 Defined Benefit Obligation at end of the period	356.80	315.40	260.21	198.52	175.01	20.63	23.17	21.74	18.63	17.32
2 Plan Assets at end of the period	215.93	222.94	192.09	173.47	149.65	19.46	22.80	23.29	19.60	18.78
3 Funded Status	(140.87)	(92.46)	(68.12)	(25.05)	(25.36)	(1.17)	(0.37)	1.55	0.97	1.46
4 Experience Gain/ (Loss) adjustments on plan liabilities	(7.96)	(42.57)	(7.56)	(14.09)	5.51	(0.22)	(1.88)	0.33	(2.06)	1.24
5 Experience Gain/ (Loss) adjustments on plan assets	(0.05)	2.18	0.17	2.15	(0.05)	0.02	(0.60)	0.97	0.24	(0.47)

(I) Actual Return on Plan Assets	Gratuity		Superannuation	
	Year 2012	Year 2011	Year 2012	Year 2011
1 Expected return on plan assets	16.88	15.88	1.62	1.80
2 Acturial (gains) and Losses	14.35	31.34	0.44	2.01
3 Actual Return on Plan Assets	31.23	47.22	2.06	3.81

(I) Contributions expected to be paid to the plan during the next financial year ₹ 35.42 in millions (previous year- ₹ 38 in millions).

### Note 38 - 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

## Notes forming part of the financial statements (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
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Purchase of goods	53.37 (44.41)	- (-)	0.59 (8.66)	53.04 (70.91)	- (-)	- (-)	- (-)	- (-)	- (-)	107.00 (123.97)
Sale of goods	445.02 (131.98)	- (-)	- (-)	456.87 (393.44)	- (-)	- (-)	- (-)	- (-)	6.17 (9.65)	908.06 (535.06)
Income from services	23.84 (20.11)	0.03 (0.08)	- (-)	12.15 (15.35)	- (-)	- (-)	- (-)	- (-)	0.02 (-)	36.04 (35.53)
Order Cancellation Charges received	- (13.05)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (13.05)
Site expenses paid	0.10 (-)	- (-)	- (-)	0.82 (2.24)	- (-)	- (-)	- (-)	- (-)	- (-)	0.92 (2.24)
Commission income	29.99 (32.41)	- (-)	- (-)	5.11 (3.19)	- (-)	- (-)	- (-)	- (-)	- (-)	35.10 (35.59)
Commission paid	- (-)	- (-)	- (-)	103.36 (70.07)	- (-)	- (-)	- (-)	- (-)	- (-)	103.36 (70.07)
Dividend received	- (-)	- (-)	38.96 (38.96)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	38.96 (46.96)
Liquidated Damages Paid	- (-)	- (-)	- (-)	1.27 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1.27 (-)
Charges paid for technical / Professional services	52.88 (90.68)	- (-)	- (-)	5.64 (5.81)	- (-)	- (-)	- (-)	- (-)	- (-)	58.52 (96.48)
Royalty paid	29.41 (41.18)	- (-)	- (-)	0.46 (0.39)	- (-)	- (-)	- (-)	- (-)	- (-)	29.87 (41.57)
Warranty charges paid	13.33 (-)	- (-)	- (-)	0.81 (0.01)	- (-)	- (-)	- (-)	- (-)	- (-)	14.14 (0.01)

## Notes forming part of the financial statements (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
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Rent received	-	0.06	1.61	-	-	-	-	-	-	1.67
	(-)	(0.06)	(1.61)	(-)	(-)	(-)	(-)	(-)	(-)	(1.67)
Recovery of expenses	0.32	0.33	10.89	4.17	-	-	-	-	0.03	15.74
	(1.16)	(0.62)	(14.77)	(6.53)	(-)	(-)	(-)	(-)	(-)	(23.07)
Reimbursement of expenses	4.49	-	-	0.16	-	-	-	-	-	4.65
	(0.79)	(-)	(-)	(0.43)	(-)	(-)	(-)	(-)	(-)	(1.22)
Technical knowhow	2.83	-	-	-	-	-	-	-	-	2.83
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Remuneration	-	-	-	-	6.22	-	-	-	-	6.22
	(-)	(-)	(-)	(-)	(3.54)	(-)	(-)	(-)	(-)	(3.54)
Sitting fees paid	-	-	-	-	-	-	0.09	-	-	0.09
	(-)	(-)	(-)	(-)	(-)	(-)	(0.09)	(-)	(-)	(0.09)
Dividend paid	56.44	-	-	-	-	-	0.14	0.48	35.42	92.48
	(70.55)	(-)	(-)	(-)	(-)	(-)	(0.17)	(0.43)	(44.28)	(115.44)
Commission to Directors	-	-	-	-	-	-	0.40	-	-	0.40
	(-)	(-)	(-)	(-)	(-)	(-)	(0.35)	(-)	(-)	(0.35)
Amounts outstanding at year end										
- Receivable	50.71	0.33	10.86	128.22	-	-	-	-	3.31	193.43
	(53.18)	(0.56)	(3.54)	(138.15)	(-)	(-)	(-)	(-)	(0.63)	(196.06)
- Payable	79.65	-	0.57	192.35	-	-	-	-	0.44	273.01
	(128.52)	(-)	(-)	(180.95)	(-)	(-)	(0.35)	(-)	(0.11)	(309.92)
Provision for doubtful debts	-	-	-	1.96	-	-	-	-	-	1.96
	(-)	(-)	(-)	(0.01)	(-)	(-)	(-)	(-)	(-)	(0.01)

Notes:-

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

## Notes forming part of the financial statements (Contd.)

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> <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>

## Notes forming part of the financial statements (Contd.)

	KSB Pumpy + Armatury spol. sr. o, Czech KSB Service LLC KSB Pompy Armatura Poland KSB Compania Sudamericana KSB Belgium SA KSB China KSB Pumps & Valves Malaysia KSB Finanz SA KSB AMV SA Spain KSB Finland KSB Mork AB, Sweden KSB Lindflaten, Norway KSB Osterreich, Austria KSB Pompes ET Robinterries Sarl, Morocco KSB Argentina KSB Service GMBH KSB Canada KSB New Zeland Rotary Equipment KSB OOO, Russia KSB Valvulas Ltd., Brazil
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	Mrs. Gyan M Swarup Mahendra Swarup & Sons HUF Mr. Vikram Swarup Mrs. Bindu Swarup Mrs. Parul Swarup
Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	The Industrial & Prudential Investment Co. Ltd. New Holding and Trading Company Ltd. Paharpur Cooling Towers Ltd.

## Notes forming part of the financial statements (Contd.)

**Note 39** - Where a financial report contains both consolidated financial statements and separate financial statement for the parent, segment information needs to be presented only in case of consolidated financial statements. Accordingly, segment information has been provided only in the consolidated financial statements.

**Note 40** - 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)

Particulars	2012		2011	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Carrying amount at the beginning of the year	24.25	67.13	17.69	66.13
Additional Provision Made during the year	29.80	47.02	31.98	67.13
Amount used during the year	(27.71)	-	(25.35)	-
Unused amount reversed during the year	(0.10)	(67.13)	(0.07)	(66.13)
Carrying amount at the end of the year	26.24	47.02	24.25	67.13

### Note 41 - Earnings per Share

- The amount used as the numerator in calculating basic and diluted earnings per share is the Profit for the year after tax disclosed in the Statement of Profit and Loss.
- The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 34,807,844.

**Note 42** - Repairs to machinery include ₹ 40.23 million (previous year - ₹ 24.13 million) spares consumed.

### Note 43 - Income Tax

Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2012 as reduced by the provision for 9 months up to 31st December, 2011 and the provision based on the figures for the remaining 9 months up to 31st December, 2012. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2012 will be determined based on the results for the year 1st April, 2012 to 31st March, 2013.

**Note 44** - The Revised schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signature to Notes 1 to 44

	G. Swarup	}	Chairman
	A.R. Broacha		
	D.N. Damania	}	Directors
	N.N. Kampani		
	Dr.A. Lee		
	Pradip Shah		
	Dr. W. Schmitt	}	Managing Director
	W. Spiegel		
	M.G. Bhawe		
	Company Secretary		

Mumbai, 22nd February, 2013



## 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 ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st December, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investment in an associate accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company'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 Consolidated 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 ₹ 51,348,320 as at 31st December, 2012, the total revenues of ₹ 18,596,810 and cash flows amounting to ₹ 5,053,080 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 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, 2012;
- (b) in the case of the Consolidated Statement of Profit and Loss, 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 M. Joshi  
Partner

Membership No.: 038019

Pune, 22nd February, 2013

## Consolidated Balance Sheet as at 31st December, 2012

Particulars	Note No.	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	3	348.08	348.08
(b) Reserves and surplus	4	4,325.99	3,912.71
		<u>4,674.07</u>	<u>4,260.79</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	-	0.03
(b) Other long-term liabilities	6	56.04	53.02
(c) Long-term provisions	7	227.65	183.71
		<u>283.69</u>	<u>236.76</u>
(3) Current liabilities			
(a) Short-term borrowings	8	168.52	631.55
(b) Trade payables	9	1,226.51	1,295.32
(c) Other current liabilities	10	838.20	775.93
(d) Short-term provisions	11	346.51	262.32
		<u>2,579.74</u>	<u>2,965.12</u>
<b>TOTAL</b>		<u><u>7,537.50</u></u>	<u><u>7,462.67</u></u>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12.A	1,566.74	1,513.15
(ii) Intangible assets	12.B	17.90	14.38
(iii) Capital work-in-progress		267.06	69.66
		<u>1,851.70</u>	<u>1,597.19</u>
(b) Non-current investments	13	427.79	383.76
(c) Deferred tax assets (net)	14	74.58	52.33
(d) Long-term loans and advances	15	486.96	421.48
(e) Other non-current assets-Long-term trade receivables (Unsecured, Considered Good)		8.61	48.03
		<u>2,849.64</u>	<u>2,502.79</u>
(2) Current assets			
(a) Inventories	16	1,935.35	1980.19
(b) Trade receivables	17	1,460.86	1835.04
(c) Cash and cash equivalents	18	1,044.66	844.87
(d) Short-term loans and advances	19	218.68	272.96
(e) Other current assets	20	28.31	26.82
		<u>4,687.86</u>	<u>4959.88</u>
<b>TOTAL</b>		<u><u>7,537.50</u></u>	<u><u>7,462.67</u></u>

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhawe  
Company Secretary

Pune, 22nd February, 2013

G. Swarup	}	Chairman
A.R. Broacha		
D.N. Damania		
N.N. Kampani		
Dr.A. Lee		Directors
Pradip Shah		
Dr. W. Schmitt		
W. Spiegel		Managing Director

Mumbai, 22nd February, 2013

## Consolidated Statement of Profit and Loss for the year ended 31st December, 2012

Particulars	Note No.	Year ended 31st December, 2012 ₹ in Million	Year ended 31st December, 2011 ₹ in Million
1. Revenue from operations (gross)	21	7,714.10	7,957.69
Less: Excise duty	21	(474.30)	(438.56)
Revenue from operations (net)		7,239.80	7,519.13
2. Other income	22	144.53	99.88
3. Total revenue (1+2)		7,384.33	7,619.01
4. Expenses			
Cost of materials consumed	23.a	3,415.15	4,147.91
Purchases of stock-in-trade		108.17	112.40
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23.b	58.10	(276.80)
Employee benefits expense	24	1,036.67	1,044.79
Finance costs	25	52.40	27.76
Depreciation and amortisation expense	12.A & 12.B	235.39	218.95
Other expenses	26	1,701.81	1,755.43
Expenditure transferred to capital account		(8.78)	(12.72)
Total expenses		6,598.91	7,017.72
5. Profit before tax (3 - 4)		785.42	601.29
6. Tax expense:			
(a) Current tax		271.30	215.50
(b) Short/(excess) provision in respect of earlier years		(16.43)	(8.45)
(c) Deferred tax		(22.25)	(5.43)
		232.62	201.62
7. Profit for the year (5 - 6)		552.80	399.67
8. Add: Share of profit for the year in respect of investment in Associate Company (Refer Note - 39)		82.99	89.73
		635.79	489.40
9. Earnings per equity share (Face Value per share ₹ 10/-): (Refer Note 36)			
(a) Basic		18.27	14.06
(b) Diluted		18.27	14.06
See accompanying notes forming part of the consolidated financial statements			

In terms of our report attached to the Balance Sheet  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhav  
Company Secretary

Pune, 22nd February, 2013

G. Swarup  
A.R. Broacha  
D.N. Damania  
N.N. Kampani  
Dr.A. Lee  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 22nd February, 2013

## Consolidated Cash Flow Statement for the year ended 31 December, 2012

Particulars	2012		2011	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
A. Cash flow from operating activities				
Net Profit/(Loss) before tax		785.42		601.29
Adjustments for:				
Depreciation and amortisation	235.39		218.95	
(Profit)/loss on sale/write off of assets	(1.84)		0.42	
Finance costs	52.40		27.76	
Interest income	(105.74)		(82.88)	
Unrealised exchange (gain) / loss	(5.17)		(1.66)	
		175.04		162.59
Operating profit/(loss) before working capital changes		960.46		763.88
Adjustment for changes in working capital:				
Inventories	44.84		(395.18)	
Trade receivables	374.18		(696.63)	
Short-term loans and advances	54.28		92.35	
Long-term loans and advances	(26.32)		(149.88)	
Other non-current assets – Long-term trade receivables	39.42		(48.03)	
Trade payables	(68.81)		75.86	
Other current liabilities	56.21		170.12	
Other long-term liabilities	3.02		4.41	
Short-term provisions	(5.83)		4.14	
Long-term provisions	43.94		55.94	
		514.93		(886.90)
Cash generated from operations		1,475.39		(123.02)
Direct taxes paid		(216.16)		(178.58)
Net cash flow from / (used in) operating activities (A)		1,259.23		(301.60)
B. Cash flow from investing activities				
Purchase of Fixed Assets	(534.27)		(245.20)	
Proceeds from sale of fixed assets	3.52		1.34	
Interest received	104.25		75.81	
Income from non-trade investments (non-current)	38.96		38.96	
Net cash flow from / (used in) investing activities (B)		(387.54)		(129.09)

## Consolidated Cash Flow Statement for the year ended 31 December, 2012

Particulars	2012		2011	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
C. Cash flow from financing activities				
Working capital borrowings	(463.03)		495.39	
Finance cost	(52.40)		(27.76)	
Dividends paid	(139.05)		(174.07)	
Tax on dividend	(22.59)		(30.10)	
Net cash flow from/(used in) financing activities (C)		(677.07)		263.46
D. Unrealized exchange gain/(loss) in cash and cash equivalents (D)		5.17		1.66
Net increase/(decrease) in Cash and cash equivalents (A + B + C + D)		199.79		(165.57)
Cash and cash equivalents (Opening Balance)		844.87		1,010.44
Cash and cash equivalents (Closing Balance)		1044.66		844.87
Cash and cash equivalents at the end of the year include:		As at 31st Dec., 2012	As at 31st Dec., 2011	As at 31st Dec., 2010
(a) Cash on hand		0.41	0.39	0.37
(b) Balances with banks				
(i) In current accounts		207.56	87.60	295.68
(ii) In deposit accounts		834.45	754.81	712.30
(iii) In unpaid dividend/deposits account		2.24	2.07	2.09
Cash and Cash equivalents at the end of the year		1,044.66	844.87	1,010.44

Notes:

(i) Figures in brackets represent outflows of cash and cash equivalents

In terms of our report attached to the Balance Sheet  
For Deloitte Haskins & Sells  
Chartered Accountants

Hemant M. Joshi  
(Partner)

M.G. Bhav  
Company Secretary

Pune, 22nd February, 2013

G. Swarup  
A.R. Broacha  
D.N. Damania  
N.N. Kampani  
Dr.A. Lee  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 22nd February, 2013

## Notes forming part of the consolidated financial statements

Note	Particulars										
1	<p><b>Company Overview</b></p> <p><b>Products:</b> The Company is engaged in the business of manufacture of different types of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.</p> <p><b>Operations:</b> The Company has factories at the following places:-</p> <p>A) Irrigation and Process Pumps Division (I.P.D.) at Pimpri Manufacturing of submersible pumps, vertical and horizontal pumps, series and non-series pumps, Multistage pumps, chemical process pumps, non-clog pumps and water pumps.</p> <p>B) Power Projects Division (P.P.D.) at Chinchwad Manufacturing of primary heat transfer pumps, moderator pumps, main boiler feed pumps and multistage condense extraction pumps, re-heater drain pumps and auxiliary boiler feed pumps.</p> <p>C) Foundry Division at Vambhori Manufacturing of steel &amp; iron castings including for captive consumption.</p> <p>D) Coimbatore Unit Manufacturing of valves (Globe, Gate, Check, Butterfly &amp; Ball valves).</p> <p>E) Nasik Unit (Sinnar) Established in 1995, this unit is engaged in the manufacture of high pressure and submersible pumps.</p>										
2	<p><b>Significant accounting policies</b></p>										
2.1	<p><b>Fixed assets and depreciation/amortisation:</b></p> <p>(a) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.</p> <p>(b) Depreciation/amortisation on fixed assets:</p> <p>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:</p> <table> <tr> <td>Jigs &amp; fixtures</td><td>- 33% (SLM)</td></tr> <tr> <td>Furniture &amp; fixtures</td><td>- 37% (WDV)</td></tr> <tr> <td>Office equipments</td><td>- 10% (SLM)</td></tr> <tr> <td>Electrical installations</td><td>- 10% (SLM)</td></tr> <tr> <td>Vehicles</td><td>- 60% (WDV)</td></tr> </table> <p>Leasehold land and assets taken on lease are amortised over the period of the lease.</p> <p>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%</p>	Jigs & fixtures	- 33% (SLM)	Furniture & fixtures	- 37% (WDV)	Office equipments	- 10% (SLM)	Electrical installations	- 10% (SLM)	Vehicles	- 60% (WDV)
Jigs & fixtures	- 33% (SLM)										
Furniture & fixtures	- 37% (WDV)										
Office equipments	- 10% (SLM)										
Electrical installations	- 10% (SLM)										
Vehicles	- 60% (WDV)										
2.2	<p><b>Investments</b> 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.</p>										
2.3	<p><b>Inventories</b> 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. Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.</p>										
2.4	<p><b>Sundry debtors and advances</b> Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.</p>										
2.5	<p><b>Foreign exchange transactions</b> 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 Statement of Profit and Loss. Premium/Discount in respect of Forward Contracts is accounted for over the period of contract.</p>										
2.6	<p><b>Revenue Recognition</b></p> <p>(i) Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers.</p> <p>(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.</p> <p>(iii) Income from services rendered is accounted for when the work is performed.</p>										

## Notes forming part of the consolidated financial statements (Contd.)

2.7	<p><b>Employee Benefits</b> 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 Statement of Profit and Loss. 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.</p>
2.8	<p><b>Product Warranty</b> Cost of product warranties is disclosed under the head (i) 'raw materials and components consumed' as consists of free replacement of spares. (ii) 'miscellaneous expenses' which includes provision for warranties.</p>
2.9	<p><b>Taxes on Income</b> 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.</p>
2.10	<p><b>Leases</b> 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.</p>
2.11	<p><b>Borrowing Costs</b> 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.</p>
2.12	<p><b>Cash Flow Statement</b> 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.</p>
2.13	<p><b>Use of Estimates</b> 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.</p>
2.14	<p><b>Provisions, Contingent Liabilities and Contingent Assets</b> As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, 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.</p>
2.15	<p><b>Earnings per share</b> 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 profit for the year after tax by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year after tax 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.</p>

## Notes forming part of the consolidated financial statements (Contd.)

### Note 3 - Share capital

Particulars	As at 31st December, 2012		As at 31st December, 2011	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Authorised:				
Equity shares of ₹ 10/- each.	40,000,000	400.00	40,000,000	400.00
Issued, Subscribed and Fully Paid up:				
Equity shares of ₹ 10/- each.	34,807,844	348.08	34,807,844	348.08
Total	34,807,844	348.08	34,807,844	348.08

- (i) Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:

	As at 31st December, 2012		As at 31st December, 2011	
	₹ in Million	No of shares	₹ in Million	No of shares
No. of shares outstanding at the beginning				
- Equity shares	348.08	34,807,844	174.04	17,403,922
Add: Additional shares issued				
- Equity shares (Bonus issue)	-	-	174.04	17,403,922
Less: Shares forfeited/Bought back				
- Equity shares	-	-	-	-
No of shares outstanding at the end				
- Equity shares	348.08	34,807,844	348.08	34,807,844

- (ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each shareholder of equity shares is entitled to one vote per share.
- (iii) Aggregate number of equity shares allotted as fully paid-up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 17,403,922
- (iv) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Particulars	As at 31 December, 2012		As at 31 December, 2011	
	No. of shares	% of shares held	No. of shares	% of shares held
Canadian Kay Pump Ltd.	14,110,848	40.54%	14,110,848	40.54%
The Industrial & Prudential Investment Co. Ltd.	7,140,000	20.51%	7,140,000	20.51%
Reliance Capital Trustee Company Limited (held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	2,740,280	7.87%	2,767,630	7.95%

- (v) The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.



## Notes forming part of the consolidated financial statements (Contd.)

### Note 4 - Reserves and surplus

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Capital reserve		
Opening balance	0.09	0.09
Add: Additions	-	-
Less: Utilised/transferred	-	-
Closing balance	0.09	0.09
Capital redemption reserve		
Opening balance	0.10	0.10
Add: Additions	-	-
Less: Utilised/transferred	-	-
Closing balance	0.10	0.10
Securities premium account		
Opening balance	3.20	3.20
Add : Premium on shares issued	-	-
Less : Utilised	-	-
Closing balance	3.20	3.20
General reserve		
Opening balance	898.97	1,028.01
Add: Transferred from surplus in Statement of Profit and Loss	60.00	45.00
Less: Transferred to share capital following capitalisation (Bonus Issue)	-	174.04
Closing balance	958.97	898.97
Amalgamation Reserve		
Opening balance	0.06	0.06
Add: Additions/transfers	-	-
Less: Utilisations/transfers	-	-
Closing balance	0.06	0.06
Surplus in Statement of Profit and Loss		
Opening balance	3,010.29	2,729.04
Add: Transferred from Profit and Loss Account	635.79	489.40
Less: First interim dividend	34.81	34.81
Second interim dividend	156.64	-
Proposed dividend (₹ Nil per share) (previous year ₹ 3 per share)	-	104.42
Tax on first interim dividend	5.65	6.98
Tax on second interim dividend	25.41	-
Tax on proposed dividend	-	16.94
Transferred to General reserve	60.00	45.00
Closing balance	3,363.57	3,010.29
Total	4,325.99	3,912.71

## Notes forming part of the consolidated financial statements (Contd.)

### Note 5 - Long-term borrowings

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Long-term maturities of finance lease obligations (Unsecured) (Refer Note 31)	-	0.03
Total	-	0.03

### Note 6 - Other long-term liabilities

Other than trade payables:	56.04	53.02
Other Payables (includes Deposits received from dealers, etc.)		
Total	56.04	53.02

### Note 7 - Long-term provisions

Provision for employee benefits (Refer Note 32)	218.90	175.63
Other Provisions:	8.75	8.08
Provision for Warranty (Refer Note 35)		
Total	227.65	183.71

### Note 8 - Short-term borrowings

Loans Repayable on Demand		
Working Capital Facilities/ Packing credit from banks (Secured)	151.72	631.55
Book overdraft (unsecured)	16.80	-
Total	168.52	631.55

Note:

(i) Details of security for the secured short-term borrowings:

Particulars	Nature of security	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Working Capital Facility -1	Pledge of Fixed Deposits of ₹ 220 Million (previous year ₹ 220 Million)	2.04	189.92
Working Capital Facility -2	Pledge of Fixed Deposits of ₹ 433.76 Million (Previous year ₹ 433.76 Million) and hypothecation of stocks including loose tools, stores and spares, book debts.	40.21	406.92
Working Capital Facility -3	Hypothecation of stocks including loose tools, stores and spares, book debts.	109.47	34.71
Total		151.72	631.55

## Notes forming part of the consolidated financial statements (Contd.)

### Note 9 - Trade payables

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Trade payables	1,226.51	1,295.32
Total	1,226.51	1,295.32

### Note 10 - Other current liabilities

Current maturities of finance lease obligations (Refer Note 31)	0.02	0.17
Unclaimed Dividend	2.24	2.06
Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	148.08	200.23
(ii) Payables for purchase of fixed assets	10.75	4.72
(iii) Advances from customers	512.18	422.23
(iv) Others (Liquidated damages, Donation etc.)	164.93	146.52
Total	838.20	775.93

### Note 11 - Short-term provisions

Provision for employee benefits (Refer Note 32)	63.57	50.61
Provision - Others:		
(i) Tax provisions less payments (current tax)	36.38	7.05
(ii) Provision for Warranty (Refer Note 35)	17.49	16.17
(iii) Second interim dividend	156.64	-
(iv) Proposed dividend	-	104.42
(v) Tax on second interim dividends	25.41	-
(vi) Tax on proposed dividend	-	16.94
(vii) Provision - others (for statutory levies) (Refer Note 35)	47.02	67.13
	282.94	211.71
Total	346.51	262.32

Note 12 - Fixed assets - Tangible and Intangible assets

## Notes forming part of the consolidated financial statements (Contd.)

Particulars	Gross block			Depreciation/Amortisation			Net block	
	As at 31st December, 2011	Additions during the year	Deductions during the year	As at 31st December, 2012	Upto 31st December, 2011	Provided during the year	Deductions during the year	Upto 31st December, 2012
<b>A. Tangible Assets</b>								
(a) Land								
- Freehold	3.01	-	-	3.01	-	-	-	-
- Leasehold	15.51	-	0.36	15.15	3.01	0.19	0.34	2.86
(b) Buildings (See Note)	495.14	43.34	2.62	535.86	230.62	28.25	1.52	257.35
(c) Plant and Equipment	2,468.08	227.42	29.66	2,665.84	1,299.08	178.99	29.54	1,448.53
(d) Furniture and Fixtures	76.39	2.37	0.08	78.68	62.92	5.80	0.08	68.64
(e) Vehicles								
- Owned	46.12	3.43	2.46	47.09	33.22	7.70	2.19	38.73
- Taken under finance lease (Refer Note 31)	0.90	-	0.69	0.21	0.85	0.01	0.66	0.20
(f) Office equipment	77.81	6.78	1.36	83.23	40.11	7.13	1.22	46.02
(g) Development of Property	0.04	-	-	0.04	0.04	-	-	0.04
<b>Total Tangible Assets</b>	<b>3,183.00</b>	<b>283.34</b>	<b>37.23</b>	<b>3,429.11</b>	<b>1,669.85</b>	<b>228.07</b>	<b>35.55</b>	<b>1,862.37</b>
Previous year	3,026.54	221.74	65.28	3,183.00	1,519.77	213.60	63.52	1,669.85
<b>B. Intangible Assets</b>								
(other than internally generated)								
(a) Computer software	28.36	7.92	-	36.28	21.43	5.90	-	27.33
(b) Copyrights, patents and other intellectual property rights, services and operating rights	53.53	2.92	-	56.45	46.08	1.42	-	47.50
<b>Total Intangible Assets</b>	<b>81.89</b>	<b>10.84</b>	<b>-</b>	<b>92.73</b>	<b>67.51</b>	<b>7.32</b>	<b>-</b>	<b>74.83</b>
Previous year	68.66	13.23	-	81.89	62.16	5.35	-	67.51

Note:

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

## Notes forming part of the consolidated financial statements (Contd.)

### Note 13 - Non-current investments

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Unquoted, Non-trade		
Investment in equity instruments of associates (at carrying cost)		
MIL Controls Limited (Note 38)	427.38	383.35
735,000 (previous year -735,000) equity shares of ₹ 10 each fully paid (Includes ₹ 24.52 million (previous year - ₹ 24.52 million) of goodwill arising on acquisition of associate)		
Investment in equity instruments of Other Entities (at cost)		
Mula Pravara Electric Co-operative Society Limited - 15,995 (previous year -15,995) shares of ₹ 25 each fully paid.	0.40	0.40
Investment in government securities - Indira Vikas Patra	0.01	0.01
<b>Total</b>	<b>427.79</b>	<b>383.76</b>

### Note 14 - Deferred Tax Assets (Net)

(i) Break up of deferred tax liability as at year end:		
Nature of timing difference		
Provision for Depreciation	90.18	88.29
<b>Total</b>	<b>90.18</b>	<b>88.29</b>
(ii) Break up of deferred tax asset as at year end:		
Nature of timing difference		
Provision for compensated absences and gratuity	91.66	73.41
Provision for doubtful debts and advances	34.68	20.61
Others	38.42	46.60
<b>Total</b>	<b>164.76</b>	<b>140.62</b>
(iii) Deferred tax Asset/(Liability) Net	74.58	52.33

### Note 15 - Long-term loans and advances

(Unsecured - considered good unless otherwise stated)		
Capital advances	75.18	26.64
Security Deposits		
Considered good	25.54	30.25
Considered Doubtful	8.37	3.48
	33.91	33.73
Less: Provision for doubtful security deposits	8.37	3.48
	25.54	30.25
Other loans and advances		
- Loans and advances to employees	20.38	21.77
- Taxes paid in advance less provisions (current tax)	103.35	112.73
- Balances with government authorities - VAT credit receivable etc.		
Considered Good	262.14	229.86
Considered Doubtful	20.90	-
	283.04	229.86
Less: Provision for doubtful loans and advances	20.90	-
	262.14	229.86
- Prepaid Expenses	0.37	0.23
<b>Total</b>	<b>486.96</b>	<b>421.48</b>

## Notes forming part of the consolidated financial statements (Contd.)

### Note 16 - Inventories

(at cost or net realisable value whichever is lower)

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Raw materials (including Goods-in-transit ₹ 1.50 millions (previous year ₹ 16.70 millions))	546.73	538.72
Work-in-progress	906.54	873.33
Finished goods	338.71	429.42
Stock-in-trade (in respect of goods acquired for trading)	85.60	86.20
Stores and spares	42.10	28.95
Loose tools	15.67	23.57
Total	<u>1,935.35</u>	<u>1,980.19</u>

### Note 17 - Trade receivables

(Unsecured - considered good unless otherwise stated)

Trade receivables outstanding for a period exceeding six months from  
the date they were due for payment

Considered good	134.48	81.10
Doubtful	<u>72.19</u>	<u>54.03</u>
	206.67	135.13
Other Trade receivables		
Considered good	1,326.38	1,753.94
Doubtful	<u>-</u>	<u>0.60</u>
	1,326.38	1,754.54
Total	<u>1,533.05</u>	<u>1,889.67</u>
Less: Provision for doubtful trade receivables	<u>72.19</u>	<u>54.63</u>
Total	<u>1,460.86</u>	<u>1,835.04</u>

### Note 18 - Cash and cash equivalents

Cash on hand	0.41	0.39
Balances with banks		
- In current accounts	207.56	87.60
- In deposit accounts	180.69	101.05
- In earmarked accounts		
- Unpaid dividend accounts	2.24	2.06
- Unpaid matured deposits	-	0.01
- Balances held as security against borrowings	653.76	653.76
Total	<u>1,044.66</u>	<u>844.87</u>

## Notes forming part of the consolidated financial statements (Contd.)

### Note 19 - Short-term loans and advances

(Unsecured - considered good unless otherwise stated)

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
Loans and advances to related parties (Refer Note 34)	13.08	5.21
Other Loans and Advances		
- Employee advances	12.87	11.54
- Prepaid expenses	9.92	6.68
- Balances with government authorities (CENVAT and Service Tax receivable)	83.22	142.61
- Others (includes Advances to Suppliers, DEPB Receivable, Insurance Claim Receivable, etc.)		
Considered good	99.59	106.92
Doubtful	5.40	5.40
	104.99	112.32
Less: Provision for other doubtful loans and advances	5.40	5.40
	99.59	106.92
Total	218.68	272.96
Note 20 - Other current assets		
Interest accrued on fixed deposits	28.31	26.82
Total	28.31	26.82

## Notes forming part of the consolidated financial statements (Contd.)

### Note 21 - Revenue from operations

Particulars	Year ended 31st December, 2012 ₹ in Million	Year ended 31st December, 2011 ₹ in Million
Sale of products	7,518.75	7,785.32
Sale of services	155.73	131.58
Other operating revenues		
- Scrap Sale	23.78	29.02
- Export Incentive	15.84	11.77
	7,714.10	7,957.69
Less:		
Excise duty	(474.30)	(438.56)
Total	7,239.80	7,519.13

### Note 22 - Other income

Interest on Bank deposits, Income tax refunds, delayed payments from dealers/customers, etc.	105.74	82.88
Sundry credit balances & Provisions no longer required, written back	10.90	-
Profit on sale/ disposal/ write off of fixed assets	1.84	-
Other non-operating income (net of expenses directly attributable to such income)	26.05	17.00
Total	144.53	99.88

### Note 23. a - Cost of materials consumed

Raw Materials and Components Consumed	3,415.15	4,147.91
Cost of materials consumed	3,415.15	4,147.91

### Note 23. b - Changes in inventories of finished goods, work-in-progress and stock-in-trade

#### Inventories at the end of the year:

Finished goods	338.71	429.42
Work-in-progress	906.54	873.33
Stock-in-trade	85.60	86.20
	1,330.85	1,388.95

#### Inventories at the beginning of the year:

Finished goods	429.42	344.24
Work-in-progress	873.33	760.37
Stock-in-trade	86.20	7.54
	1,388.95	1,112.15
Net (increase)/decrease	58.10	(276.80)

### Note 24 - Employee benefit expenses

Salaries and wages	866.27	862.06
Contributions to provident and other funds	94.68	105.26
Staff welfare expenses	75.72	77.47
Total	1,036.67	1,044.79

### Note 25 - Finance costs

Interest expense	52.40	27.76
Total	52.40	27.76



## Notes forming part of the consolidated financial statements (Contd.)

### Note 26 - Other expenses

Particulars	Year ended 31st December, 2012	Year ended 31st December, 2011
	₹ in Million	₹ in Million
Processing & Machining Charges	295.09	296.59
Stores Consumed	112.40	136.51
Tools Consumed	55.21	48.41
Water Power and fuel	143.56	139.52
Rent	9.85	8.16
Excise duty relating to increase/(decrease) in finished goods stock	0.10	6.66
Rates and taxes (Refer Note 35)	(2.62)	16.51
Insurance (Net)	3.31	3.08
Repairs and maintenance - Buildings	13.61	3.46
- Machinery	60.05	39.89
- Others	83.57	76.17
	157.23	119.52
Travelling and conveyance	58.64	73.88
Packing & Forwarding Charges (net of recoveries - ₹ 37.02 in millions; previous year ₹ 42.96 in millions)	205.36	216.26
Directors' fees	0.41	0.38
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1.30	1.30
Tax audit fees	0.30	0.30
Accounts for tax purposes	0.45	0.45
Company law matters	0.01	0.01
Fees for other services	1.40	1.30
Reimbursement of out of pocket expenses	0.13	0.23
	3.59	3.59
Cost Audit Fees	0.38	0.18
Sales commission		
Sole Selling agents	103.36	70.07
Other Selling agents	17.69	24.65
	121.05	94.72
Cash and Quantity Discount	102.64	86.18
Royalty Charges	29.87	41.57
In respect of late delivery under contracts	1.96	51.53
Provision for doubtful receivables and advances (net)	43.35	(11.71)
Legal and professional (including SAP implementation/ upgradation expences ₹ - Nil; previous year - ₹ 75.27 million)	27.98	106.42
Net loss on foreign currency transactions and translation	17.65	11.89
Loss on sale/disposal/write off of fixed assets	-	0.42
Miscellaneous expenses	314.80	305.16
Total	1,701.81	1,755.43

## Notes forming part of the consolidated financial statements (Contd.)

### Note 27 - Contingent Liabilities and Commitments

Particulars	As at 31st December, 2012 ₹ in Million	As at 31st December, 2011 ₹ in Million
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debts	7.44	5.97
(b) Taxation matters in dispute pending at various stages of appeal	50.61	63.82
(c) Bills Discounted/Cheques purchased with banks	26.79	25.55
(d) Excise matters	70.83	58.20
(e) Guarantees given by the bankers on behalf of the Company	970.70	922.36
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for -		
- Tangible Assets	83.85	73.86

### Note 28 - Details on derivatives instruments and unhedged foreign currency exposures

(i) Outstanding forward exchange contracts entered into by the Company as on 31st December, 2012

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million		Purpose
	Current Year	Previous year	Current Year	Previous year	
Forward Cover	USD 8,573,870	USD 9,371,332	462.81	338.52	Covering Trade Receivables and future sales
	Euro 696,876	Euro 1,130,996	49.58	9.53	
Forward Cover	USD 180,000	USD 539,324	10.03	8.62	Covering Trade Payables and future purchases
	Euro 823,155	Euro 113,664	60.70	2.67	

(ii) Details of year-end foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million	
	Current Year	Previous year	Current Year	Previous year
Trade Payables	USD 4,107,814	USD 5,190,324	228.81	280.23
	Euro 751,462	Euro 1,035,163	55.41	72.41
Trade Receivables	USD 772,078	USD 1,480,723	41.68	76.99
	Euro 434,872	Euro 436,271	30.93	29.30
Bank balances	USD 2,268,059	USD 882,141	122.43	45.87
	Euro 97,170	Euro 27,985	6.91	1.88

**Note 29** - Research and Development expenditure debited to the Statement of Profit and Loss aggregating ₹ 2.06 million (previous year - ₹ 1.07 million) has been incurred by the Company and disclosed under appropriate account heads.

**Note 30** - The net exchange differences arising during the year recognised appropriately in the Statement of Profit and Loss - net loss- ₹ 17.65 million (previous year - net loss- ₹ 11.89 million)

**Note 31** - 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 ₹ 0.04 million (previous year - ₹ 0.22 million) and the present value of total minimum lease payments as at the balance sheet date is ₹ 0.02 million (previous year - ₹ 0.20 million)

(ii) Total of minimum lease payments at the balance sheet date: ₹ in Million

Particulars	Total minimum lease payments at the balance sheet date		Present Value of minimum lease payments	
	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	0.04	0.17	0.02	0.17
Later than one year and not later than five years	-	0.05	-	0.03
Total	0.04	0.22	0.02	0.20

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

## Notes forming part of the consolidated financial statements (Contd.)

### Note 32 Disclosures under Accounting Standards

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

32.1.a Defined contribution Plan

Amount recognised as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plan is ₹ 43.72 million (previous year ₹ 44.23 million)

32.1.b Defined benefit plans

- 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 ₹ 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.

₹ in Million

	Particulars	Gratuity		Superannuation	
		Year 2012	Year 2011	Year 2012	Year 2011
(A)	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	315.40	260.21	23.17	21.74
2	Current Service cost	24.84	20.53	1.41	1.38
3	Interest cost	26.10	20.30	1.73	1.64
4	Losses (gains) on Curtailment	-	-	-	-
5	Liabilities extinguished on settlements	-	-	-	-
6	Plan amendments	-	-	-	-
7	Actuarial (gains)/losses	14.30	33.52	0.46	1.41
8	Benefits paid	(23.84)	(19.16)	(6.14)	(3.00)
9	Present Value of Defined Benefit Obligation as at 31st December	356.80	315.40	20.63	23.17
(B)	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	222.94	192.09	22.80	23.29
2	Expected return on plan assets	16.88	15.88	1.62	1.80
3	Actuarial gains and (losses)	(0.05)	2.18	0.02	(0.60)
4	Actual contributions by employers	-	31.95	1.16	1.31
5	Benefits paid	(23.84)	(19.16)	(6.14)	(3.00)
6	Plan assets as at 31st December	215.93	222.94	19.46	22.80
(C)	Analysis of Defined Benefit Obligation:				
1	Defined Benefit Obligation as at 31st December	356.80	315.40	20.63	23.17
2	Fair Value of Plan Assets at the end of year	(215.93)	(222.94)	(19.46)	(22.80)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	140.87	92.46	1.17	0.37
(D)	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	356.80	315.40	20.63	23.17
2	Fair value of plan assets	215.93	222.94	19.46	22.80
3	Funded status [Surplus/(Deficit)]	(140.87)	(92.46)	(1.17)	(0.37)
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/(Liability) recognised in Balance Sheet	(140.87)	(92.46)	(1.17)	(0.37)

## Notes forming part of the consolidated financial statements (Contd.)

₹ in Million

	Particulars	Gratuity		Superannuation	
		Year 2012	Year 2011	Year 2012	Year 2011
(E)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	24.84	20.53	1.41	1.38
2	Interest cost	26.10	20.30	1.73	1.64
3	Expected return on plan assets	(16.88)	(15.88)	(1.62)	(1.80)
4	Curtailment cost/(credit)	-	-	-	-
5	Settlement cost/(credit)	-	-	-	-
6	Past Service cost	-	-	-	-
7	Actuarial Losses/(Gains)	14.35	31.34	0.44	2.01
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	48.41	56.29	1.96	3.23
(F)	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"				
(G)	Actuarial Assumptions :				
1	Discount Rate (%)	8.30	8.60	8.30	8.60
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 (%)	7.00	7.00	7.00	7.00

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.

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

Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors

₹ in Million

		Gratuity					Superannuation				
		Year 2012	Year 2011	Year 2010	Year 2009	Year 2008	Year 2012	Year 2011	Year 2010	Year 2009	Year 2008
(H)	Experience History										
1	Defined Benefit Obligation at end of the period	356.80	315.40	260.21	198.52	175.01	20.63	23.17	21.74	18.63	17.32
2	Plan Assets at end of the period	215.93	222.94	192.09	173.47	149.65	19.46	22.80	23.29	19.60	18.78
3	Funded Status	(140.87)	(92.46)	(68.12)	(25.05)	(25.36)	(1.17)	(0.37)	1.55	0.97	1.46
4	Experience Gain/(Loss) adjustments on plan liabilities	(7.96)	(42.57)	(7.56)	(14.09)	5.51	(0.22)	(1.88)	0.33	(2.06)	1.24
5	Experience Gain/(Loss) adjustments on plan assets	(0.05)	2.18	0.17	2.15	(0.05)	0.02	(0.60)	0.97	0.24	(0.47)

		Gratuity		Superannuation	
		Year 2012	Year 2011	Year 2012	Year 2011
(I)	Actual Return on Plan Assets				
1	Expected return on plan assets	16.88	15.88	1.62	1.80
2	Actuarial (gains) and Losses	14.35	31.34	0.44	2.01
3	Actual Return on Plan Assets	31.23	47.22	2.06	3.81

(I) Contributions expected to be paid to the plan during the next financial year ₹ 35.42 in millions (previous year- ₹ 38 in millions).

## Notes forming part of the consolidated financial statements (Contd.)

### Note 33 Segment Information:

#### (A) Primary segments - Business Segments

	Pumps		Valves		Others		Elimination		Total Amount	
	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011
a) Segment Revenue										
Sales to External Customers	5,727.43	6,061.15	1,469.95	1,410.81	2.80	6.38	-	-	7,200.18	7,478.34
Inter Segment Revenue	-	-	4.77	4.97	380.44	468.66	(385.21)	(473.63)	-	-
Total Segment Revenue	5,727.43	6,061.15	1,474.72	1,415.78	383.24	475.04	(385.21)	(473.63)	7,200.18	7,478.34
b) Segment Results										
Unallocated Corporate expenses	647.97	431.85	159.19	158.13	(19.47)	(2.48)	-	-	787.69	587.50
Interest expense									(55.61)	(41.33)
Interest & Dividend income									(52.40)	(27.76)
Profit before tax									105.74	82.88
Income taxes (including short/(excess) provision in respect of earlier years)									785.42	601.29
Deferred Tax									(254.87)	(207.05)
Profit after tax									22.25	5.43
c) Segment Assets									552.80	399.67
Unallocated Corporate Assets	3,845.02	4,398.46	1,336.94	1,305.49	705.13	365.03			5,887.09	6,068.98
Total Assets									1,650.41	1,393.69
d) Segment Liabilities									7,537.50	7,462.67
Unallocated Corporate liabilities	(1,950.21)	(1,896.58)	(456.98)	(471.79)	(52.32)	(71.29)			(2,459.51)	(2,439.66)
Total Liabilities									(403.92)	(762.22)
Net Assets	1,894.81		879.96		652.81				(2,863.43)	(3,201.88)
e) Cost Incurred during the period to acquire segment fixed assets	199.31	153.66	57.02	66.06	283.97	25.48				
f) Depreciation / Amortisation	161.54	153.77	50.84	44.08	23.01	21.10				
g) Non-cash expenditure other than depreciation / amortisation	43.35	-	-	-	-	-				

#### 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	
	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011	₹ in Million 2012	₹ in Million 2011
Segment revenue by geographical area based on geographical location of customers (including sales, services, export incentives, etc.)	6,083.64	6,692.72	1,116.54	785.62	7,200.18	7,478.34

#### Note:

The Company's operating facilities are located in India

## Notes forming part of the consolidated financial statements (Contd.)

### Note 34 - 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

(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
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Purchase of goods	53.37 (44.41)	0.59 (8.66)	53.04 (70.91)	- (-)	- (-)	- (-)	- (-)	- (-)	107.00 (123.97)
Sale of goods	445.02 (131.98)	- (-)	456.87 (393.44)	- (-)	- (-)	- (-)	- (-)	6.17 (9.65)	908.06 (535.06)
Income from services	23.84 (20.11)	- (-)	12.15 (15.35)	- (-)	- (-)	- (-)	- (-)	0.02 (-)	36.01 (35.45)
Order Cancellation Charges received	-	-	-	-	-	-	-	-	-
Site expenses paid	0.10 (-)	- (-)	0.82 (2.24)	- (-)	- (-)	- (-)	- (-)	- (-)	(13.05) (2.24)
Commission income	29.99 (32.41)	- (-)	5.11 (3.19)	- (-)	- (-)	- (-)	- (-)	- (-)	35.10 (35.59)
Commission paid	-	-	103.36 (70.07)	- (-)	- (-)	- (-)	- (-)	- (-)	103.36 (70.07)
Dividend received	-	38.96 (38.96)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	38.96 (38.96)
Liquidated Damages Paid	-	-	1.27	-	-	-	-	-	1.27
Charges paid for technical/ Professional services	52.88 (90.68)	- (-)	5.64 (5.81)	- (-)	- (-)	- (-)	- (-)	- (-)	58.52 (96.48)
Royalty paid	29.41 (41.18)	- (-)	0.46 (0.39)	- (-)	- (-)	- (-)	- (-)	- (-)	29.87 (41.57)
Warranty charges paid	13.33 (-)	- (-)	0.81 (0.01)	- (-)	- (-)	- (-)	- (-)	- (-)	14.14 (0.01)

## Notes forming part of the consolidated financial statements (Contd.)

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
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Rent received	-	1.61	-	-	-	-	-	-	1.61
	(-)	(1.61)	(-)	(-)	(-)	(-)	(-)	(-)	(1.61)
Recovery of expenses	0.32	10.89	4.17	-	-	-	-	0.03	15.41
	(1.16)	(14.77)	(6.53)	(-)	(-)	(-)	(-)	(-)	(22.45)
Reimbursement of expenses	4.49	-	0.16	-	-	-	-	-	4.65
	(0.79)	(-)	(0.43)	(-)	(-)	(-)	(-)	(-)	(1.22)
Technical knowhow	2.83	-	-	-	-	-	-	-	2.83
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Remuneration	-	-	-	6.22	-	-	-	-	6.22
	(-)	(-)	(-)	(3.54)	(-)	(-)	(-)	(-)	(3.54)
Sitting fees paid	-	-	-	-	-	0.09	-	-	0.09
	(-)	(-)	(-)	(-)	(-)	(0.09)	(-)	(-)	(0.09)
Dividend paid	56.44	-	-	-	-	0.14	0.48	35.42	92.48
	(70.55)	(-)	(-)	(-)	(-)	(0.17)	(0.43)	(44.28)	(115.44)
Commission to Directors	-	-	-	-	-	0.40	-	-	0.40
	(-)	(-)	(-)	(-)	(-)	(0.35)	(-)	(-)	(0.35)
Amounts outstanding at year end									
- Receivable	50.71	10.86	128.22	-	-	-	-	3.31	193.10
	(53.18)	(3.54)	(138.15)	(-)	(-)	(-)	(-)	(0.63)	(195.50)
- Payable	79.65	0.57	192.35	-	-	-	-	0.44	273.01
	(128.52)	(-)	(180.95)	(-)	(-)	(0.35)	(-)	(0.11)	(309.92)
Provision for doubtful debts	-	-	1.96	-	-	-	-	-	1.96
	(-)	(-)	(0.01)	(-)	(-)	(-)	(-)	(-)	(0.01)

Notes:-

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

## Notes forming part of the consolidated financial statements (Contd.)

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

Controlling Companies	KSB AG
Associate Company	Canadian Kay Pump Ltd.
Common Control	MIL Controls Ltd.
	KSB S.A.
	KSB Inc., USA
	KSB Pumps (S.A.) (Pty.) Ltd., South Africa
	KSB Australia
	KSB Chile S.A.
	KSB Singapore (Asia Pacific) PTE Ltd. Singapore
	KSB Limited, Hongkong
	KSB Pumps Co. Ltd., Thailand
	P.T. KSB, Indonesia
	KSB Taiwan Co. Ltd.
	KSB Ltd., Tokyo
	KSB Brazil
	KSB Korea
	KSB Mexico
	KSB Nederland
	DP Industries B.V., Nederland
	KSB Pumps Arabia Ltd.
	KSB Ltd., U.K.
	KSB Italia S.p.A., Italy
	KSB Pompa Turkey
	KSB Shanghai Pump Co. Ltd., China
	KSB Valves (Shanghai) Co. Ltd., China
	Mercantile-KSB Oy AB, Finland
	KSB Pakistan
	Delian KSB Amri Valves Co. Ltd., China
	Bombas ITUR S.A., Spain
	KSB TESMA S.A., Griechenland
	KSB Tech. Pvt. Ltd., India
	GIW Industries Inc., USA
	KSB Middle East FZE, Dubai
	KSB Pumpy + Armatury spol. sr. o, Czech



## Notes forming part of the consolidated financial statements (Contd.)

	KSB Service LLC KSB Pompy Armatura Poland KSB Compania Sudamericana KSB Belgium SA KSB China KSB Pumps & Valves Malaysia KSB Finanz SA KSB AMV SA Spain KSB Finland KSB Mork AB, Sweden KSB Lindflaten, Norway. KSB Osterreich, Austria KSB Pompes ET Robineries Sarl, Morocco KSB Argentina KSB Service GMBH KSB Canada KSB New Zeland Rotary Equipment KSB OOO, Russia KSB Valvulas Ltd. Brazil
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	Mrs. Gyan M. Swarup Mahendra Swarup & Sons HUF Mr. Vikram Swarup Mrs. Bindu Swarup Mrs. Parul Swarup
Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	The Industrial & Prudential Investment Co. Ltd. New Holding and Trading Company Ltd. Paharpur Cooling Towers Ltd.

## Notes forming part of the consolidated financial statements (Contd.)

**Note 35** - 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)

Particulars	2012		2011	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Carrying amount at the beginning of the year	24.25	67.13	17.69	66.13
Additional provision made during the year	29.80	47.02	31.98	67.13
Amount used during the year	(27.71)	-	(25.35)	-
Unused amount reversed during the year	(0.10)	(67.13)	(0.07)	(66.13)
Carrying amount at the end of the year	26.24	47.02	24.25	67.13

**Note 36** - Earnings per Share

- (a) The amount used as the numerator in calculating basic and diluted earnings per share is the Profit for the year after tax disclosed in the Statement of Profit and Loss.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 34,807,844.

**Note 37** - 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 Statement is:

Name of Company	Country of Incorporation	% of Voting power held	
		As at 31st December, 2012	As at 31st December, 2011
Pofran Sales & Agency Ltd.	India	100	100

**Note 38** - (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 2012

Name of Associate and Country of Incorporation	Ownership Interest (%)	Original cost of Investment ₹ in Million	Amount of Goodwill in Original cost ₹ in Million	Share of Accumulated Profit as at year end ₹ in Million	Carrying cost of Investment (net of dividend) ₹ in Million
MIL Controls Ltd, India	49	62.65	24.52	364.73	427.38

For the year 2011

Name of Associate and Country of Incorporation	Ownership Interest (%)	Original cost of Investment ₹ in Million	Amount of Goodwill in Original cost ₹ in Million	Share of Accumulated Profit as at year end ₹ in Million	Carrying cost of Investment (net of dividend) ₹ in Million
MIL Controls Ltd, India	49	62.65	24.52	320.70	383.35

(b) The Associate Company follows a different accounting policy in respect of fixed assets and inventories. All the fixed assets are depreciated on 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.

**Note 39** - Shares of profit for the year in respect of investment in associate company is net off the company's share of dividend tax of ₹ 21.58 million (previous year - ₹ NIL) in respect of earlier years.

**Note 40** - Repairs to machinery include ₹ 40.23 million (previous year - ₹ 24.13 million) spares consumed.

## Notes forming part of the consolidated financial statements (Contd.)

### Note 41 - Income Tax

Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2012 as reduced by the provision for 9 months up to 31st December, 2011 and the provision based on the figures for the remaining 9 months up to 31st December, 2012. However the ultimate tax liability for the remaining 9 months up to 31st December, 2012, will be determined based on the results for the year 1st April, 2012 to 31st March, 2013

Note 42 - The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signature to Notes 1 to 42

	G. Swarup	Chairman
	A.R. Broacha	
	D.N. Damania	
	N.N. Kampani	
	Dr.A. Lee	
	Pradip Shah	
	Dr. W. Schmitt	
	W. Spiegel	
		Directors
M.G. Bhave		
Company Secretary		Managing Director

Mumbai, 22nd February, 2013

**Summary of Financial Information of Subsidiary Company under Section 212 read with General Circular No 2/2011 dated 8th February, 2011 For the year ended on 31st December, 2012**

Name of the Subsidiary :		
POFRAN SALES & AGENCY LIMITED		
		₹ in Million
a	Share Capital	0.50
b	Reserves	50.47
c	Total Assets	51.35
d	Total Liabilities	0.38
e	Details of investment (except in case of investment in the subsidiary)	NIL
f	Turnover ( Including other income of ₹ 2.43mio.)	18.60
g	Profit before taxation	17.80
h	Provision for taxation	6.20
i	Profit after taxation	11.60
j	Proposed Dividend	NIL

# moviboost M

## Mini Pressure Booster Systems

### Features & Applications

- Suitable for water pressure boosting systems
- Multi-jet shower panels
- Domestic water supply systems
- Irrigation and small industrial water supply

### Technical data :

Pump size	: 2 models
Capacity	: Up to 200 lpm
Head	: Up to 51 m
Power	: Up to 1 kW





# MegaCPK

New generation centrifugal end suction process pumps

## Features & Applications

- High efficiency
- High reliability & lower operating costs
- Low investment costs
- Large range of applications in chemical, petrochemical, sugar, process industry, hot water, brine etc.

## Technical data :

Pump size	: 25 to 250 mm
Capacity	: Up to 1160 m <sup>3</sup> /hr.
Head	: Up to 162 m
Pressure	: Up to 25 bar
Temperature	: -30 °C to +300 °C

Experience the start of new era !



# CENTRIJET

## Self priming monobloc jet pumps

### Features & Applications

- Most suitable over conventional centrifugal and mini- monobloc pumps.
- Self priming upto 8.0 meters
- Optimally designed for better efficiency in wide range of operation.
- Non overloading characteristics through out the range.
- Extruded Aluminum motor body.

### Technical data :

Pump size	: 25 mm
Capacity	: Up to 60 lpm
Head	: Up to 32 m
Power	: Up to 0.37 kW







**BIX+VM Pumpset for M/s Neyveli Lignite**

High horse power Submersible Pumpset  
for despatch at Sinner works





### Coimbatore works

Top : New Cardex system is being used for better & efficient material handling of components.

Right : Outside view of the new building where Cardex system has been installed.



### Sinnar Works

A unique initiative towards energy conservation - 'Wind mill project' successfully completed at Sinnar division in year 2012.





#### **Precision machining of Seal Housing of RSR 400/2 pump**

A single forging weighing about 4 tons in Martensitic Stainless Steel.  
Being an important component of the pump, precision machining is done using modern manufacturing techniques.

#### **Making ready for dynamic balancing**

A huge rotor of RSR 400/2 pump. Weighing about 1.6 tons.



#### **KSB Pumps Limited**

126, Maker Chambers III, Nariman Point, Mumbai 400 021. India  
Tel. : +91 22 6658 8787 Fax : +91 22 6658 8788 [www.ksbindia.co.in](http://www.ksbindia.co.in)

## FORM-A- Standalone Financial Statements

Covering letter of the annual report to be filed with the stock Exchange as per Clause 31 (a)

1.	<b>Name of the Company</b>	KSB Pumps Limited
2.	<b>Annual Stand alone Financial Statements for the year ended</b>	31 <sup>st</sup> December,2012
3.	<b>Type of Observations</b>	Unqualified
4.	<b>Frequency of observations</b>	Not Applicable

Refer our Audit Report dated 22/02/2013 on the  
Standalone financial statements of the Company  
**For Deloitte Haskins & Sells**  
Chartered Accountants  
Registration No: 117366W

W Spiegel  
(Managing Director)

**Verghese Oommen**  
(Director- Finance)

**Hemant M. Joshi**  
Partner  
Membership No: 038019  
Pune.

**N.N.Kampani**  
(Chairman-Audit Committee)

**FORM-A- Consolidated Financial Statements**

Covering letter of the annual report to be filed with the stock Exchange as per Clause 31 (a)

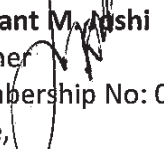
1.	<b>Name of the Company</b>	KSB Pumps Limited
2.	<b>Annual Consolidated Financial Statements for the year ended</b>	31 <sup>st</sup> December, 2012
3.	<b>Type of Observations</b>	Unqualified
4.	<b>Frequency of observations</b>	Unqualified hence not applicable

Refer our Audit Report dated 22/02/2013 on the Consolidated financial statements of the Company  
**For Deloitte Haskins & Sells**  
Chartered Accountants  
Registration No: 117366W

  
**W. Spiegel**  
(Managing Director)

  
**Verghese Oommen**  
(Director- Finance)

  
**N.N. Kampani**  
(Chairman-Audit Committee)

  
**Hemant M. Joshi**  
Partner  
Membership No: 038019  
Pune,