

► Our technology. Your success.

Pumps ■ Valves ■ Service



60th Annual Report, 2019



KSB has started manufacturing **Slurry Recirculation Pumps** for **Flue Gas Desulphurisation Plants (FGD)** locally in India under Make in India initiative.



Slurry Recirculation Pump under testing at Energy Pumps Division. KSB is officially the first pump manufacturer in India to localize this pump.



Energy Pumps Division, Khandala (Maharashtra)



New Product Launched

GAMMA

Horizontal Splitcase Pumps

KSB Limited, India rolled out the most awaited **Horizontal Splitcase Pump - Gamma**.

The launch event was organised at Irrigation and Process Division (IPD), Pimpri Works, Pune in the presence of **Dr. Stephan Bross** (Member of Board - KSB SE and CTO-KSB Group), **Mr. Michael Schneider** (Head of the Market segment Water and Waste Water - KSB Group), **Mr. Rajeev Jain** (Regional Executive Officer, West Asia and Managing Director, KSB Limited, India), and entire Management of KSB Limited.

The Channel Partners were delighted and expressed their satisfaction towards Company's approach of developing & releasing the New Product in the shortest record time.



Applications:

For handling pure and raw water in :

- Water works
- Irrigation
- Pumping stations
- Industrial water supply
- Application in general industry
- HVAC



With this New Product addition in KSB 's product portfolio, the company aims to strategically increase its business in water segment for Domestic as well as International markets in near future.



Class 1500, 12" Pressure seal Gate Valve with flange Ends

Under manufacturing at Valves division,
Coimbatore



Assembly automation at KSB Sinner Plant

Features and benefits

- Assembly automation line consists of 12 stations. First 8 for motor assembly, next 3 for testing and last for unloading.
- In every 2.6 minutes, one motor is manufactured and comes out from this line.
- Single piece flow operation in fully lean automated line.
- Reduces the operator fatigue due to ease of operation.



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ANNUAL GENERAL MEETING

Date	: 28th September, 2020
Day	: Monday
Time	: 3.00 p.m.
Mode	: Through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM") .

COMMUNICATION DETAILS

Tel No.	: 020-27101024
Shareholders' Grievance Cell	: compsec.india@ksb.com
Website	: www.ksbindia.co.in

GENERAL INFORMATION

Board of Directors

Mr. G. Swarup (Chairman)
Mr. D. N. Damania
Mr. Pradip Shah
Mr. V. K. Viswanathan
Ms. Sharmila Barua Roychowdhury
Dr. Stephan Bross
Dr. Matthias Schmitz
Mr. Rajeev Jain (Managing Director)

Registered Office

Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai - 400 080.

Factories

Maharashtra -
Pimpri, Pune,
Chinchwad, Pune
Vambori, Dist. Ahmednagar
Sinnar, Dist. Nashik
Kesurdi, Shirwal, Dist. Satara

Tamil Nadu -
NSN Palayam, Coimbatore

Bankers

Central Bank of India
Deutsche Bank AG
Standard Chartered Bank
ICICI Bank
Kotak Mahindra Bank
Axis Bank
HSBC Bank
Citi Bank
Federal Bank

Chief Financial Officer

Mr. Milind Khadilkar

Company Secretary

Mr. Mahesh Bhawe

Collaborators

KSB SE & Co. KGaA, Germany

Zonal Offices

North - Noida
Offices - Chandigarh, Jaipur and Lucknow
East - Kolkata
Offices - Bhubaneswar, Jamshedpur and Raipur
West - Mumbai
Offices - Odhav, Aurangabad, Baroda, Indore, Nagpur and Pune
South - Chennai
Offices - Bengaluru & Secunderabad

Registrar & Transfer Agent

Link Intime India Pvt. Ltd.

Statutory Auditors

Price Waterhouse Chartered Accountants LLP

Cost Auditors

Dhananjay V. Joshi & Associates

Secretarial Auditors

Nilesh Shah & Associates

NOTICE

NOTICE is hereby given that the Sixtieth Annual General Meeting of the members of KSB LIMITED (Formerly known as KSB PUMPS LIMITED) which was scheduled to be convened on Thursday, 7th May, 2020 and could not be held due to Covid-19 pandemic and national level Lockdown, will now be held on Monday, 28th September, 2020 at 3.00 P.M. IST through Video Conferencing (“VC”)/ Other Audio Visual Means (“OAVM”) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited standalone financial statements and the audited consolidated financial statements of the Company for the year ended 31st December, 2019, together with the Board's Report and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. G. Swarup (DIN: 00374298) who retires by rotation, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

Explanatory Statement under Section 102 of the Companies Act, 2013 (“the Act”), is annexed to the Notice.

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:

“**RESOLVED THAT** pursuant to the provisions of Section 148 of the Companies Act, 2013, the remuneration payable for the year ending 31st December, 2020 to M/s Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration No. 000030), appointed by the Board of Directors of the Company to conduct the audit of the Cost Records of the Company, amounting to Rs. 4,85,000 (Rupees Four Lakhs Eighty Five Thousand) as also the payment of GST as applicable and reimbursement of out of pocket expenses incurred during the course of audit be and is hereby ratified and confirmed.”

By Order of the Board
G. SWARUP
Chairman

Registered Office:

Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai- 400 080,

Kolkata, 14th August, 2020

NOTICE (Contd.)

NOTES:

- a. In view of Covid-19 pandemic, social distancing norms and restrictions on movement of persons at several places in the country and pursuant to General Circular Nos.14/2020, 17/2020 and 20/2020 dated 8th April, 2020, 13th April, 2020 and 5th May, 2020, respectively (collectively referred to as “MCA Circulars”) issued by the Ministry of Corporate Affairs (“MCA”) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by the Securities and Exchange Board of India (“SEBI Circular”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members. In compliance with the provisions of the Companies Act, 2013 (“the Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), MCA Circulars and SEBI Circular, the AGM of the Company is being held through VC/ OAVM which does not require physical presence of members at a common venue. The proceedings of the AGM will be deemed to be conducted at the Registered Office of the Company which shall be the deemed Venue of the AGM.
- b. Since this AGM is being held through VC / OAVM, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
- c. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
- d. Institutional / Corporate Members are required to send scanned copy of Board Resolution authorizing their representative to attend the AGM through VC/ OAVM on its behalf and to vote through remote E-voting to the Company's Registrar & Transfer Agent (“RTA”), Link Intime India Pvt. Ltd. at the email address : rnt.helpdesk@linkintime.co.in
- e. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 19th September, 2020 to Monday, 28th September, 2020 (both days inclusive).
- f. Dividend as recommended by the Board of Directors, if declared at the AGM, will be paid on or after Thursday, 15th October, 2020 to those members whose names appear in the Register of Members at the close of the business hours on 18th September, 2020, in respect of shares held by them in physical form and whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of the business hours on 18th September, 2020 in respect of shares held by them in dematerialised form.
- g. Unclaimed Final Dividend for the financial year ended 31st December, 2011 and first interim dividend for the financial year ended 31st December, 2012 have been transferred to the Investor Education and Protection Fund (“IEPF”) after completion of seven years in accordance with Section 125 of the Companies Act, 2013. Second interim dividend for the financial year ended 31st December, 2012 is in the process of transfer to the IEPF. Other unpaid dividends that are due for transfer are detailed below:

NOTICE (Contd.)

Dividend	For the Financial Year ended	Date of Payment	Due for Transfer on
Interim	31st Dec. '13	20th Nov. '13	19th Nov. '20
Final	31st Dec. '13	5th May '14	4th May '21
Final	31st Dec. '14	15th May '15	14th May '22
Final	31st Dec. '15	17th May '16	16th May '23
Final	31st Dec. '16	17th May '17	16th May '24
Final	31st Dec. '17	16th May '18	15th May '25
Final	31st Dec. '18	13th May '19	12th May '26

Members who have not encashed their Dividend Warrants/Demand Drafts pertaining to the earlier years may approach the Company's Registrar & Transfer Agent ("RTA"), Link Intime India Pvt. Ltd., at C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083, for the same.

Pursuant to the provisions of Section 124 of the Companies Act, 2013 and Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares on which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to an IEPF Account established by the Central Government, within thirty days of such shares becoming due for transfer to the Fund. The Members whose shares/ unclaimed dividend have been transferred to the Fund may claim the shares or apply for refund by making an application to IEPF Authority in form IEPF 5 (available on www.iepf.gov.in) along with requisite fee as decided by the Authority from time to time. The details of the unclaimed dividends are available on the Company's website at www.ksbindia.co.in and on the website of Ministry of Corporate Affairs at: www.mca.gov.in

- h. Members who hold equity shares in physical form and desirous of availing Electronic Clearance Scheme (ECS) facility for direct credit of dividend to their bank account, may submit their request to the Company's RTA. Any query related to dividend should be directed to RTA.
- i. The information regarding the Director/s who is/are proposed to be appointed/re-appointed, as required to be provided under Listing Regulations, 2015 and Secretarial Standard on General Meetings, is annexed hereto.
- j. In compliance with the aforesaid MCA Circulars and SEBI Circular, the Notice of the sixtieth AGM of the Company along with the Annual Report for the year 2019 is being sent only through electronic mode to those Members whose email addresses are registered with their respective Depository Participants ("DPs"), Company or Company's RTA. Members may note that the Notice of the AGM and the Annual Report for the year 2019 will also be available on the Company's website at www.ksbindia.co.in, and also on the website of the Stock Exchanges where the shares of the Company have been listed viz., BSE Limited - www.bseindia.com and National Stock Exchange of India Limited - www.nseindia.com. The Company has published a Public Notice by way of advertisement with the required details of Sixtieth AGM, for information of the Members.

NOTICE (Contd.)

- k. Members having more than one folio in identical names are requested to consolidate the same.
- l. The Company has made necessary arrangements for the members to hold their shares in dematerialised form. Members holding shares in physical form are requested to dematerialise their shares by approaching any of the DPs.
- m. All documents referred in the accompanying Notice and Statement setting out material facts will be available electronically for inspection for Members on all working days between 10.00 a.m. and 12.00 noon up to Monday, 28th September, 2020 being the date of the AGM. Members seeking to inspect such documents can send an email at : compsec.india@ksb.com
- n. Since the AGM will be held through VC / OAVM, the Route Map is not annexed to this Notice.
- o. **Instructions for Remote E-voting before AGM:**

In compliance with the provisions of Section 108 of Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and the provisions of the Regulation 44 of the Listing Regulations, 2015, the members are provided with the facility to cast their vote electronically, through the remote e-voting services provided by Link Intime India Pvt. Ltd., on all resolutions set forth in this Notice.

The instructions for members opting to vote electronically are as under:

- i. Visit the e-Voting website of Link Intime India Private Limited (“LIPL”) at the link: <https://instavote.linkintime.co.in>
- ii. Click on “Log-in” under “Shareholders” section.
- iii. Now enter your User ID, password and image verification code (CAPTCHA) as shown on the screen
- iv. User ID details are given below:
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form: Event Number + Folio Number registered with the Company
- v. Password details are given below:

If you are using e-Voting system of LIPL: <https://instavote.linkintime.co.in> for the first time or if you are holding shares in physical form, you need to follow the steps given below:

Click on “Sign Up” tab available under “Shareholders” section, register your details and set the password of your choice and confirm (the password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter).

For Shareholders holding shares in Demat Form or Physical Form:

NOTICE (Contd.)

PAN*	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (applicable for both demat shareholders as well as physical shareholders). *Members who have not updated their PAN with the Company/ Depository are requested to use the sequence number which is enclosed/ printed on Attendance Slip indicated in the PAN Field.
DOB# DOI	Enter the DOB (Date of Birth)/DOI (Date of Incorporation) as recorded in your demat account or in the Company records for the said demat account or folio.
Dividend Bank details#	Enter the Dividend Bank Account Details as recorded in your demat account or in the Company records for the said demat account or folio. #Please enter the DOB/ DOI or Dividend Bank Details in order to login. If the details are not recorded with the Depository or Company, please enter the member id / folio number in the Dividend Bank Details field as mentioned in instruction No. iv-c.

- vi. After entering these details appropriately, click on “SUBMIT”.
- vii. If you are holding shares in demat form and had registered on to e-Voting system of LI IPL at <https://instavote.linkintime.co.in>, and/or voted on an earlier voting of any Company then your existing password is to be used.
- viii. If Shareholders holding shares in Demat Form or Physical Form have forgotten password:
Enter User ID, select Mode and Enter Image Verification code (CAPTCHA). Click on “SUBMIT”.

In case shareholder is having valid email address, Password will be sent to the shareholder’s registered e-mail address. Else, shareholder can set the password of his/her choice by providing the information about the particulars of the Security Question & Answer, PAN, DOB/DOI, Dividend Bank Details etc. and confirm. (The password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter)
- ix. The password is to be used by demat shareholders for voting on the resolutions placed by the Company in which they are a shareholder and eligible to vote, provided that the Company opts for e-voting platform of LI IPL.
- x. For shareholders holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice.
- xi. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- xii. After successful login, you will be able to see the notification for e-voting on the home page of INSTA Vote. Select/ View “Event No” of the company, you choose to vote.

NOTICE (Contd.)

- xiii. On the voting page, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
Cast your vote by selecting appropriate option i.e. Favour/ Against as desired.
Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/ Against’. You may also choose the option ‘Abstain’ and the shares held will not be counted under ‘Favour/Against’.
- xiv. If you wish to view the entire Resolution details, click on the ‘View Resolutions’ File Link.
- xv. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “YES”, else to change your vote, click on “NO” and accordingly modify your vote.
- xvi. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently. You can also take the printout of the votes cast by you by clicking on “Print” option on the Voting page
- xvii. Note for Non-Individual Shareholders and Custodians:
- a. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to e-Voting system of LIPL at <https://instavote.linkintime.co.in> and register themselves as ‘Custodian/ Mutual Fund / Corporate Body’.
 - b. A scanned certified true copy of the Board resolution /authority letter/power of attorney etc. is required to be uploaded together with attested specimen signature of the duly authorised representative(s) in PDF format in the ‘Custodian / Mutual Fund / Corporate Body’ login for the Scrutinizer to verify the same.
- xviii. Shareholders holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.
- xix. Any person, who acquires shares of the Company and becomes a member of the Company after dispatch of the Notice and holding shares as of the cut-off date i.e., 22nd September, 2020 follow the same instructions as mentioned above for e-voting.
- xx. In case the shareholders have any queries or issues regarding e-voting, please refer the Frequently Asked Questions (“FAQs”) and Instavote e-Voting manual available at <https://instavote.linkintime.co.in>, under Help section or write an email to enotices@linkintime.co.in or Call : Tel : 022 - 49186000.

Other Instructions

- i. The remote e-voting period commences on **Friday, 25th September, 2020 at 9.00 a.m.** and ends on **Sunday, 27th September, 2020 at 5.00 p.m.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on **Tuesday, 22nd September, 2020 (the cut-off date)** may cast their vote electronically. The e-voting module shall be disabled for voting thereafter.

NOTICE (Contd.)

- ii. The voting rights of members shall be in proportion to their shares of the paid-up equity share capital of the Company as on **22nd September, 2020**.
- iii. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting and voting during the AGM.
- iv. Ms. Hetal Shah, Partner, M/s Nilesh Shah & Associates, Company Secretaries has been appointed as the Scrutinizer to scrutinize the voting process (electronically or otherwise) in a fair and transparent manner.
- v. The results declared along with the Scrutinizer's Report shall be placed on the Company's website at www.ksbindia.co.in within two days of the 60th AGM of the Company to be held on 28th September, 2020.
- vi. The contact details for Registrar and Transfer Agent: Link Intime India Pvt. Ltd., Tel. No. : 022 4918 6270, E-mail : rnt.helpdesk@linkintime.co.in

p. Instructions for Members to attend the AGM through (VC/OAVM) :

Members are entitled to attend the AGM through VC/OAVM provided by RTA, Link Intime Pvt. Ltd., by following the below mentioned process:

- i. Facility for joining the AGM through VC/OAVM shall open 15 minutes before the time scheduled for the AGM and shall be kept open till the expiry of 15 minutes after the scheduled time on first-come-first basis.
- ii. Members with >2% shareholding, Promoters, Institutional Investors, Directors, KMPs, Chair Persons of Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Auditors etc. may be allowed to the meeting without restrictions of first-come-first serve basis.
- iii. Members will be provided with InstaMeet facility wherein they shall register their details and attend the AGM as under:
 - 1. Open the internet browser and open the URL <https://instameet.linkintime.co.in>
 - 2. Select the “**Company**” and “**Event date**” and register with your following details:
 - A. Demat Account No. or Folio No:** Enter your 16 digit Demat Account No. or Folio No
 - (a) Members holding shares in CDSL demat account shall provide 16 Digit Beneficiary ID
 - (b) Members holding shares in NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID
 - (c) Members holding shares in physical form shall provide Folio Number registered with the Company
 - B. PAN:** Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.
 - C. Mobile No.:** Enter your mobile number.
 - D. Email ID:** Enter your email id, as recorded with your DP/Company/RTA.

NOTICE (Contd.)

3. Click “Go to Meeting”: You are now registered for InstaMeet and your attendance is marked for the meeting.

(Note: Members are encouraged to join the Meeting through Tablets/Laptops connected through broadband for better experience. Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting).

q. Instructions for Members to Vote during the AGM:

- (a) Only those Members, who are present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system available during the AGM.
- (b) If any Votes are cast by the Members through the e-voting available during the AGM and if the same Members have not participated in the meeting through VC/OAVM facility, then the votes cast by such Members shall be considered invalid as the facility of e-voting during the meeting is available only to the Members attending the meeting.
- (c) Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

Once the electronic voting is activated by the scrutinizer/ moderator during the AGM, the Members who have not exercised their vote through the remote e-voting can cast the vote as under:

- i. On the Members VC page, click on the link for e-Voting “Cast your vote”
- ii. Enter your 16 digit Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMEET and click on “Submit”.
- iii. After successful login, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
- iv. Cast your vote by selecting appropriate option i.e. “Favour/Against” as desired. Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/Against’.
- v. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “Save”. A confirmation box will be displayed. If you wish to confirm your vote, click on “Confirm”, else to change your vote, click on “Back” and accordingly modify your vote.
- vi. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

r. Instructions for Members to Speak during the AGM:

- i. Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request before 21st September, 2020 mentioning their name, demat account number/folio number, e-mail ID, mobile number at: compsec.india@ksb.com

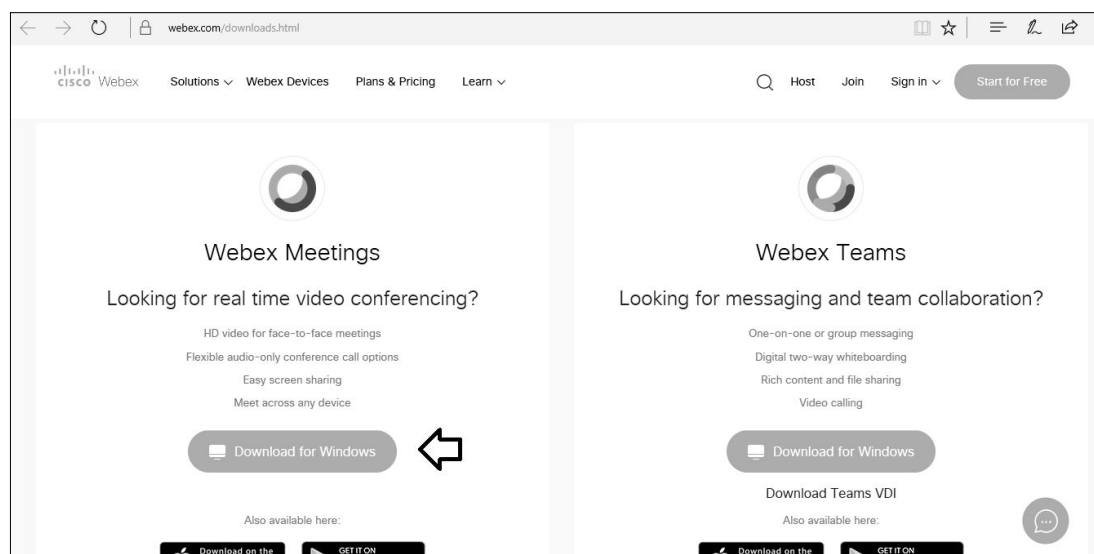
NOTICE (Contd.)

- ii. Only those Members who have registered themselves as a speaker will be allowed to express their views/ ask questions during the meeting.
- iii. Members will get confirmation on first cum first basis. First 10 Speakers registered with the Company will only be allowed to speak at the AGM for a duration upto 3 minutes each.
- iv. Members will receive “speaking serial number” once they mark attendance for the meeting.
- v. Members are requested to speak only when moderator of the meeting/ management will announce the name and serial number for speaking.
- vi. Please remember your speaking serial number and start your conversation with panelist by switching on video mode and audio of your device.
- vii. Please note that the Company reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.

The Members who do not wish to speak during the AGM but have queries may send their queries in advance before 21st September, 2020 mentioning their name, demat account number/ folio number, e-mail ID, mobile number at compsec.india@ksb.com .These queries will be replied to by the Company suitably by e-mail.

For a smooth experience of viewing the AGM proceedings of Link Intime India Pvt. Ltd. InstaMEET, shareholders/ members who are registered as speakers for the event are requested to download and install the Webex application in advance by following the instructions as following:

- a) Please download and install the Webex application by clicking on the link <https://www.webex.com/downloads.html/>



NOTICE (Contd.)

Step 1
Double-click the webexapp.msi file you downloaded

Step 2
The Webex Meetings setup wizard will launch. Follow the instructions to set up.

Step 3
Once installed the app will launch automatically.

To open the app double-click the Webex Meetings icon on your desktop.

What do you want to do with webexapp.msi (88.1 MB)?
From: akamaicdn.webex.com

Run Save Cancel

Step 1
Double-click the webexapp.msi file downloaded

Step 3
Once installed app will launch automatically.

To open the app double-click the Webex Meetings icon on your desktop.

Cisco Webex Meetings - InstallShield Wizard

Welcome to the InstallShield Wizard for Cisco Webex Meetings

The InstallShield(R) Wizard will install Cisco Webex Meetings on your computer. To continue, click Next.

WARNING: This program is protected by copyright law and international treaties.

< Back Next > Cancel

Step 1
Double-click the webexapp.msi file downloaded

Step 3
Once installed app will launch automatically.

Cisco Webex Meetings - InstallShield Wizard

License Agreement

Please read the following license agreement carefully.

CISCO WEBEX LLC LICENSE AGREEMENT (AS APPLICABLE TO THE PARTICULAR DOWNLOAD)

IMPORTANT NOTICE—PLEASE READ PRIOR TO USING THIS SOFTWARE. This license agreement ("License Agreement") is a legal agreement between you (either an individual or an entity) and Cisco Webex LLC ("Webex") for the use of Webex software you may be required to download and install to use certain Webex services (such software, together with the underlying documentation if made available to you, the "Software"). By clicking on the button containing the "I accept" language, by installing the Software or by otherwise using the Software, you agree to be bound by the terms of this License Agreement. IF YOU DO NOT AGREE TO THE TERMS OF THIS LICENSE AGREEMENT, CLICK ON THE BUTTON

I accept the terms in the license agreement
 I do not accept the terms in the license agreement

InstallShield _____

< Back Next > Cancel

Step 1
Double-click the webexapp.msi file downloaded

Step 3
Once installed app will launch automatically.

Cisco Webex Meetings - InstallShield Wizard

Ready to Install the Program

The wizard is ready to begin installation.

Click Install to begin the installation.

If you want to review or change any of your installation settings, click Back. Click Cancel to exit the wizard.

InstallShield _____

< Back Install Cancel

NOTICE (Contd.)

or

- b) If you do not want to download and install the Webex application, you may join the meeting by following the process mentioned as under:

Step 1: Enter your First Name, Last Name and Email ID and click on “Join Now”.

1 (A) : If you have already installed the Webex application on your device, join the meeting by clicking on “Join Now”

Click on “Run a temporary application”, an exe file will be downloaded. Click on this exe file to run the application and join the meeting by clicking on “Join Now”

1 (B) : If Webex application is not installed, a new page will appear giving you an option to either Add Webex to chrome or Run a temporary application.



In case shareholders/members have any queries regarding login, they may send an e-mail to instameet@linkintime.co.in or contact on: - Tel: 022-49186175.

s. **Instructions for Income Tax compliances with respect to dividend:**

- i. The Finance Act, 2020 has abolished dividend distribution tax (DDT). Accordingly, effective from 1st April, 2020, dividend income will be taxable in the hands of shareholders. Hence the Company is required to deduct tax at source (“TDS”) from the amount of dividend paid to shareholders at the prescribed rates. The detailed TDS rates and required documents for claiming non-deduction/lower deduction of TDS are uploaded in the website of the company at: www.ksbindia.co.in
- ii. To avail the benefit of non-deduction/lower deduction of TDS kindly submit the required documents by email to ksbdivtax@linkintime.co.in on or before 20th September, 2020:

or

The forms/documents (duly completed and signed) for claiming tax exemption are required to be uploaded on the url: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>

- On this page the user shall be prompted to select / share the required information therein to register their request.

NOTICE (Contd.)

- iii. The forms for tax exemption can be downloaded from Link Intime's website. The url for the same is: <https://www.linkintime.co.in/client-downloads.html>
 - On this page select the General tab. All the forms are available under the head "Form 15G/15H/10F"
- iv. The upload of forms/documents (duly completed and signed) on the above mentioned URL of Link Intime India Private Ltd should be done on or before 20th September, 2020 to enable the Company to determine and deduct appropriate TDS / Withholding Tax.
- v. Incomplete and/or unsigned forms and declarations will not be considered by the Company. No communication on the tax determination/ deduction shall be considered after 20th September, 2020.
- vi. In terms of the MCA and SEBI circular, in case the Company is unable to pay the dividend to any share holder by electronic mode due to non-availability of the details of their bank account, the Company will upon normalisation of the postal services, despatch the Dividend Warrants/Demand Drafts to such share holders by post.
- vii. All communications/ queries in this respect should be addressed to our RTA, Link Intime India Private Limited to: ksbdivtax@linkintime.co.in

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013

BUSINESS 4:

The Board of Directors of the Company, on the recommendation of its Audit Committee, has approved the appointment of M/s Dhananjay V. Joshi & Associates, Cost Accountants, Pune, as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st December, 2020. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company. Accordingly, consent of the members is sought by way of an Ordinary Resolution as set out at Business No. 4 of the Notice for ratification of the remuneration amounting to Rs. 4,85,000 plus applicable GST and out-of-pocket expenses incurred by them in connection with the aforesaid audit.

The Directors recommend the resolution for approval.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the said resolution.

By Order of the Board
G. SWARUP
Chairman

Registered Office:

Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai- 400 080,

Kolkata, 14th August, 2020

NOTICE (Contd.)

Notes on Director/s seeking appointment/re-appointment

As required under Listing Regulations, 2015 and Secretarial Standards on General Meetings, particulars of Director who is to be appointed/re-appointed are given below:

Name of the Director	Ms. G. Swarup
Director Identification Number	00374298
Date of Birth	21st November, 1956
Director since	24th January, 2000
Qualifications	BE, MBA (Harvard)
Experience	Vast experience in the engineering industry
List of other Directorships in India	Swadeshi Polytex Limited Industrial And Prudential Investment Company Limited Avadh Sugar & Energy Limited TIL Limited Graphite Limited Paharpur Cooling Towers Limited Medica Synergie Private Limited Garima Private Limited
Chairmanship/ Membership of Audit and Stakeholders' Relationship Committees in other Public companies	Audit Committee: Chairman: TIL Limited Member: Nil Stakeholders' Relationship Committee: Chairman: Avadh Sugar & Energy Limited Member: TIL Limited
Relationship with other Directors and Key Managerial Personnel	Nil
No. of shares held in the Company	34,000
No. of Board meetings attended during last Financial Year	4 (Four)
Details of Remuneration paid/ sought to be paid	Sitting fees and commission
Terms and conditions of appointment	Non Executive Director (Non Independent), liable to retire by rotation.

BOARD'S REPORT

To
The Shareholders,

The Board of Directors have pleasure to submit the report and audited financial statements of the Company for the year ended 31st December, 2019.

FINANCIAL RESULTS AND DIVIDEND

Financial Results (Separate):

	Year ended December 31, 2019	INR Million Year ended December 31, 2018
Revenue from operations and Other Income	13,195.39	11,197.76
Profit before tax	1,375.81	1,116.73
Income tax expense		
Current	337.72	367.40
Deferred tax	59.84	9.07
Total tax expense	397.56	376.47
Profit for the year	978.25	740.26
Other comprehensive income	(52.56)	9.94
Total comprehensive income	925.69	750.20
Appropriations:		
Opening balance of retained earnings	5,695.94	5,188.68
Profit for the year	978.25	740.26
Dividend paid (including tax thereon)	(251.10)	(242.94)
Other comprehensive income recognised directly in retained earnings	(52.56)	9.94
Total retained earnings	6,370.53	5,695.94
EPS	28.10	21.27

The Company does not propose to transfer any amount to its Reserves for the year under review.

Dividend:

The Board of Directors propose a dividend of ₹ 8.00 per share of ₹ 10 each (80 %).

Dividend Distribution Policy of the Company as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015") is available on the Company's website at: www.ksbindia.co.in

GENERAL REVIEW

Working:

During the year under review, the Company has earned higher profit before tax compared to the previous year due to various cost reduction and efficiency improvement measures taken during the year. The overall economic slowdown and delay in project execution continued in 2019. Hence, situation of heavy pressure on margins continued in the year.

Export increased by ₹ 724 Million from ₹ 1,521 Million last year to ₹ 2,245 Million.

BOARD'S REPORT (Contd.)

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

Shifting of registered office:

Considering the administrative convenience, the Company has shifted its registered office from 126, Maker Chambers III, Nariman Point, Mumbai - 400 021 to Office No. 601, Runwal R-Square, L.B.S. Marg, Mulund (West), Mumbai- 400 080 within jurisdiction of the same Registrar of Companies effective from 1st June, 2019.

Credit Rating:

ICRA Limited has reaffirmed the Long Term rating (Fund based) [ICRA] AA+ (stable) and Short Term Rating [ICRA] A1+ for enhanced Line of Credit for KSB Limited. This reaffirms the high reputation and the trust Company has earned for its sound financial management and its ability to meet financial obligations. Below Credit Ratings are obtained during past 3 years:

Year	Amount (INR in Mio)	Rating
2019	25,000.00	Long Term AA+, Short Term A1+
2018	12,000.00	Long Term AA+, Short Term A1+
2017	2,167.50	Long Term AA, Short Term A1+

The Company does not have any debt instruments, fixed deposit program or any scheme for mobilization of funds and accordingly it has not obtained any credit ratings during the financial year for these purposes.

Fixed Deposits:

The Company has not accepted any deposits.

Transfer to Investor Education and Protection Fund ("IEPF"):

During the year, in accordance with section 125 of the Companies Act, 2013 ("the Act") an amount of ₹ 224,968 being unclaimed dividends up to the year 31st December, 2012, were transferred to the Investor Education and Protection Fund established by the Central Government.

Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 ("IEPF Rules"), as amended, the shares on which dividend remains unpaid / unclaimed for seven consecutive years or more shall be transferred to the Investor's Education and Protection Fund (IEPF). Accordingly, during the year Company has transferred 3,180 equity shares to the IEPF including the outstanding Bonus shares. The details of equity shares transferred are available on the Company's website at: www.ksbindia.co.in

Subsidiary and Associate:

The Company has 1 subsidiary, viz. Pofran Sales and Agency Limited and 1 associate, viz. KSB MIL Controls Limited as on 31st December, 2019.

In accordance with Section 129 (3) of the Act and Regulation 34 of Listing Regulations, 2015, the audited consolidated financial statements of the Company form part of the Annual Report. A statement containing salient features of the financial statements of the Company's subsidiary and associate is annexed to this Report in prescribed form AOC-1 as Annexure I.

BOARD'S REPORT (Contd.)

The audited financial statements of Pofran Sales and Agency Limited for the year ended 31st March, 2019 have been placed on the website of the Company viz. www.ksbindia.co.in and are available for inspection at the registered office of the Company. The Company will also make available these documents electronically upon request by any member of the Company interested in obtaining the same.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Annexed to this report as Annexure II.

REPORT ON CORPORATE GOVERNANCE

Annexed to this Report alongwith certificate thereon as Annexure III.

BUSINESS RESPONSIBILITY REPORT

Annexed to this report as Annexure IV.

EXTRACT OF ANNUAL RETURN

Annexed to this report as Annexure V.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

Contracts or arrangements with related parties referred to under Section 188 of the Act, entered into during the financial year, were on an arm's length basis. No material contracts or arrangements with related parties were entered into during the year under review. Accordingly, no transactions are being reported in form AOC- 2 in terms of section 134 of the Act.

DISCLOSURE UNDER REGULATION 34(3) OF SEBI LISTING REGULATIONS, 2015

There are no loans and advances in the nature of loans to subsidiary/ associate/ firms/ Companies in which Directors are interested.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has not granted any loans, guarantees and investments covered under section 186 of the Act during the year.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has established a vigil mechanism to provide avenues to the stakeholders to bring to the attention of the management, the concerns about behaviours employees that raise concerns including fraud by using the mechanism provided in the Whistle Blower Policy. The details of the said policy are included in the report on Corporate Governance.

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. The Risk Management Committee monitors the risks and their mitigation actions.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There is no significant or material order passed during the year by any regulators, courts or tribunals impacting the going concern status of the Company or its future operations.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

BOARD'S REPORT (Contd.)

POLICY ON PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, to redress complaints received regarding sexual harassment. The Company has in place a policy in line with the requirements of the said Act. During the year, no complaint with allegations of sexual harassment was received by the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. G. Swarup retires by rotation and is eligible for reappointment.

Mr. A. R. Broacha retired from the Board effective from close of the business hours on 30th September, 2019 pursuant to end of his term of appointment as Independent Director. The Board expresses its sincere appreciation for the valuable services provided by Mr. A. R. Broacha during his tenure as a Director.

At the 59th Annual General Meeting of the Company held on 8th May, 2019 the shareholders have approved re-appointment of Independent Directors Mr. D. N. Damania and Mr. Pradip Shah for a period of five consecutive years effective from 1st October, 2019 and Mr. V.K. Viswanathan for a period of five consecutive years effective from 16th January, 2020.

The Board of Directors, on recommendation of the Nomination and Remuneration Committee and Audit Committee, appointed Mr. Mahesh Bhave as GM-Finance and Company Secretary of the Company effective from 16th January, 2020.

Mr. Narasimhan R resigned from his duties as DGM-Finance and Company Secretary effective from close of the business hours on 31st December, 2019. The Board expresses its sincere appreciation for the valuable services provided by him during his tenure as the Company Secretary.

DECLARATIONS BY INDEPENDENT DIRECTORS

The Independent Directors have given a declaration to the Company that they meet the criteria of independence as per Section 149(6) of the Act and Regulation 25 of the Listing Regulations, 2015.

BOARD MEETINGS

During the year ended 31st December, 2019, four meetings of the Board were held.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director, and other matters forms part of report on Corporate Governance. The detailed policy is available on the Company's website at: www.ksbindia.co.in

EVALUATION OF BOARD OF DIRECTORS

The details of the annual evaluation of Board, its Committees and individual Directors are mentioned in the report on Corporate Governance.

BOARD COMMITTEES

The Company has five Committees of Board, viz,

1. Audit Committee
2. Stakeholders' Relationship Committee
3. Nomination and Remuneration Committee

BOARD'S REPORT (Contd.)

4. Corporate Social Responsibility Committee
5. Risk Management Committee

Details of all the Committees along with their composition, terms of reference and meetings held during the year are provided in report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Act, the Board of Directors report that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) proper internal financial controls are in place and that such internal financial controls are adequate and are operating effectively; and
- (f) systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

PARTICULARS OF EMPLOYEES AND RELATED INFORMATION

In terms of the provisions of Section 197(12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement containing the disclosures pertaining to remuneration and other details as required under the Act and the above Rules are provided in the Annual Report. The disclosures as specified under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as Annexure VI.

The information regarding employee remuneration as required pursuant to Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, will be available electronically for inspection by members on all working days (Monday to Friday) between 10.00 a.m. and 12.00 noon upto Monday 28th September, 2020, being the date of the 60th AGM. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished electronically on such request.

STATUTORY AUDITORS

Pursuant to provisions of Section 139 of the Act and Rules thereunder, M/s Price Waterhouse Chartered Accountants LLP (Registration No. 012754N/ N500016) were appointed as Statutory Auditors of the Company for a term of five years, to hold office from the conclusion of 57th Annual General Meeting, until the conclusion of 62nd Annual General Meeting.

A certificate from Statutory Auditors has been received to the effect that their appointment as Statutory Auditors of the Company, continues to be according to the terms and conditions prescribed under Section 139 of the Act and Rules framed there under.

BOARD'S REPORT (Contd.)

The Auditors' Report for the financial year 2019 does not contain any qualification, reservation, adverse remark or disclaimer except the comment about the incident of fraud as reported by the Company.

COST AUDITORS

Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Act, 2013, is required by the Company and accordingly such accounts and records are prepared and maintained. Pursuant to Section 148, the Board on the recommendation of the Audit Committee has re-appointed M/s Dhananjay V. Joshi and Associates, Cost Accountants, Pune as Cost Auditors to carry out the audit of Cost Accounts of the Company for the financial year 2020 at a remuneration as mentioned in the Notice convening the 60th Annual General Meeting and the same is recommended for your consideration and ratification. The Cost Audit Report for financial year 2018 which was due to be filed with the Ministry of Corporate Affairs before 29th June, 2019, was filed on 22nd May, 2019 and it did not contain any qualification, reservation, adverse remark or disclaimer.

SECRETARIAL AUDITORS

Pursuant to provisions of Section 204 of the Act and Rules thereunder, the Secretarial Audit Report for financial year 2019 issued by Secretarial Auditors, M/s Nilesh Shah and Associates, Company Secretaries, Mumbai is annexed to this report as Annexure VII and it does not contain any qualification, reservation, adverse remark or disclaimer except the self explanatory comments.

SECRETARIAL STANDARDS

During the year 2019, the Company has complied with applicable Secretarial Standards issued by the Institute of the Company Secretaries of India.

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

Information as required to be given under Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in the annexure to this report as Annexure VIII.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The composition of the CSR Committee, CSR Policy and other required details are given in the Annual Report on CSR Activities annexed to this Report as Annexure IX.

ACKNOWLEDGEMENTS

The Board of Directors are grateful to Canadian Kay Pump Ltd., the main shareholder, and to KSB SE & Co. KGaA, 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 all employees including the workers, staff and management and all others concerned with the Company's business.

On behalf of the Board of Directors
G. SWARUP
Chairman

Mumbai, 27th February, 2020

ANNEXURE TO BOARD'S REPORT

ANNEXURE I TO BOARD'S REPORT

FORM NO. AOC-1

Statement containing salient features of the financial statement of subsidiaries/associate companies as per Section 129 (3) and Rules thereunder

Part "A": Subsidiaries

INR Million

Name of the subsidiary	Pofran Sales and Agency Limited
The date since when subsidiary was acquired	7th January, 2005
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1st April, 2019 to 31st March, 2020*
Reporting currency and Exchange rate	INR
Share capital	0.50
Reserves & Surplus	1.48
Total Assets	2.02
Total Liabilities	0.04
Investments	-
Turnover	-**
Profit / (Loss) before taxation	(0.09)
Provision for taxation	-
Profit / (Loss) after taxation	(0.09)
Proposed Dividend	-
% of shareholding	100

*The consolidation is based on the unaudited financial information for the period ended as on 31st December, 2019 of the subsidiary.

** Subsidiary's business operations are temporarily stopped subsequent to termination of agency agreement with its sole customer.

Part "B": Associate

INR Million

Name of the associate	KSB MIL Controls Limited
The date on which associate was associated / acquired	24th October, 1997
Latest audited Balance Sheet date	31st December, 2019
Number of shares of associate held by the company on the year end	735,000
Amount of investment in associate	62.65
Extent of holding %	49%
Description of how there is significant influence	Ownership of 20% or more of the voting power
Reason why the associate is not consolidated	Ownership of not more than 50% of the voting Power and no control over the Board
Networth attributable to shareholding as per latest audited Balance Sheet	644.14
Profit / Loss for the year	107.78
i. Considered in consolidation	52.81
ii. Not Considered in consolidation	54.97

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

G. Swarup
Chairman

Mahesh Bhav
Company Secretary

D. N. Damania
Director

Rajeev Jain
Managing Director

Mumbai, February 27, 2020

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ANNEXURE II TO BOARD'S REPORT

INTRODUCTION

The Company is engaged in the business of manufacture of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.

INDUSTRY STRUCTURE AND DEVELOPMENT

General

Global growth decelerated markedly in 2019, with continued weakness in global trade and investment. Global growth is expected to recover to 2.5% in 2020, up slightly from the post-crisis low of 2.4% registered last year amid weakening trade and investment and edge up further over the forecast horizon. This weakness was widespread, affecting both advanced economies, particularly the Euro Area and Emerging Market and Developing Economies (EMDEs).

Growth in India is projected to decelerate to 5% in FY 2020 amid enduring financial sector issues. Although a gradual growth recovery is expected in the second half of the fiscal year, the challenges faced by the economy over the first half should contribute to a third consecutive year of slowing growth in FY 2020. Thereafter, growth is expected to gradually recover, to 6.1% in FY 2021 on the assumption of a modest rebound in domestic demand.

Pumps and valves industries

Growth is witnessed in certain segments of Pumps and Valves industries in 2019 compared to 2018. Healthier order inflows provide prospects for growth in upcoming year.

OPPORTUNITIES AND THREATS

The industry offers varied opportunities for the company to maintain growth. The Company continues to take efforts to identify opportunities in various types of products, government initiatives, and competitive advantage and deploys efforts and resources that may be required.

The company constantly monitors the threats from competition, industry, product life cycle, raw material costs and takes steps to maintain/enhance existing competence.

SEGMENTWISE PERFORMANCE (Consolidated)

During the year under review, pumps and related spares worth ₹ 9,635 Million (Previous year ₹ 8,106 Million) and valves and related spares worth ₹ 1,772 Million (Previous year ₹ 1,557 Million) were sold.

Out of the above, export of pumps, valves and their spares in terms of value were ₹ 2,245 Million (Previous year ₹ 1,521 Million).

OUTLOOK

The Company expects the market for pumps, valves and services to grow reasonably in line with general industrial outlook. The export sector is also expected to grow moderately.

RISKS AND CONCERNS THE MANAGEMENT PERCEIVE

The competition is expected to be more aggressive leading to price pressures. Uncertainty in global economic growth is expected to impact the growth rate in India and consequently the Company's operations.

Key risks to the outlook include a sharper-than-expected slowdown in major economies, a reescalation of regional geopolitical tensions, and a setback in reforms to address impaired balance sheets in the financial and corporate sectors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Policy measures such as enhancing foreign direct investment inflows and competitiveness, promoting access to finance for small enterprises, and improving infrastructure can deliver productivity gains and lift growth.

INTERNAL CONTROL SYSTEM AND 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 -

- Financial statement, with the management and statutory auditors.
- Adequacy/scope of internal audit function, significant findings and followup thereon of any abnormal nature, with the internal auditors.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL EFFICIENCY

Cost reduction have been achieved in certain areas by implementing efficiency improvement programme within the company.

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

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

During the year skill and knowledge enhancement, retention of employees, leadership development, performance management and employee engagement were at focus to create a work environment where people thrive and are enabled to deliver sustainable organizational performance. The Company deliberated the efforts on digitalization, process improvement, enhancing client coverage, employee engagement and on improving the complete work life cycle playing its vital role in achieving the business goal and outcome. The process improvement affected the way employees are hired, trained and managed to the way they communicate, interact and contribute to the business requirement. Meeting the Global benchmark of the employee engagement survey and having a stupendous Year on Year percentage increase was the ultimate result of the enriched work life cycle. The employee engagement score is the reflection of Company's constant determination on reward and recognition, competence and career

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

development, development of infrastructure, communication mechanisms and succession planning. The continued HR Initiatives, helped the attrition level remained below the average level of the job market in 2019. The mechanism to foster the positive and healthy work environment, free from harassment of any nature accelerated the overall employee experience. Effective employee relations at all plants lead to a more motivated and productive workforce having a great impact on the quality of products and services and in establishing us as a strong brand in the market. The Company will continue to focus on leadership development, reward and recognition, performance management, learning and development, succession planning and Health and Safety management and aligning other initiatives to the business requirements.

CAUTION

This report is based on the experience and information available to the Company in the pumps and valves 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.

KEY FINANCIAL RATIOS

Key financial ratios of the Company showing financial performance are as under:

Ratios (Standalone)	Year Ended 31st December 2019	Year Ended 31st December 2018
1. Debtors Turnover	88	102
2. Inventory Turnover Ratio	92	103
3. Operating Profit Margin (%)	9.94	9.19
4. Net Profit Margin (%)	7.62	6.85
5. Return on Net Worth (%)*	13.09	10.76
6. Interest Coverage Ratio (%)	26.96	31.19

*Return on Net Worth increased due to higher PAT contributed by increase in turnover, cost efficiency measures and other one time impact.

On behalf of the Board of Directors,
G. SWARUP
Chairman

Mumbai, 27th February, 2020

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

DISTRIBUTION OF INCOME (SEPARATE)

	Year ended		INR Million	
	31st December, 2019		31st December, 2018	
	INR	%	INR	%
1. Raw Materials/Bought-out components consumed	6,983	52.41	5,651	50.46
2. Excise Duty (till 30th June, 2017)	0	0.00	0	0.00
3. Employee benefit expense	1,779	13.35	1,540	13.75
4. Other Expenses	2,675	20.08	2,457	21.94
5. Finance cost	53	0.40	37	0.33
6. Depreciation	457	3.43	397	3.55
7. Taxation				
Current	338	2.54	367	3.28
Deferred	60	0.45	9	0.08
8. Other Comprehensive (Income)/Expense	53	0.39	(10)	(0.09)
9. Dividend (including tax thereon)	251	1.88	243	2.17
10. Retained Earnings	675	5.07	507	4.53
TOTAL	13,323	100	11,198	100

FINANCIAL POSITION AT A GLANCE (SEPARATE)

	INR Million	
	Year ended 31st December, 2019	Year ended 31st December, 2018
CAPITAL		
ASSETS OWNED		
Non-Current Assets		
1. Property, Plant and Equipment (including Capital Work in Progress)	3,402	3,233
2. Intangible Assets	16	19
3. Investments	63	63
4. Other Non-Current Assets (net)	(16)	154
5. Deferred Tax Assets (net)	119	161
Current Assets (Net) excluding borrowings	4,823	3,936
TOTAL	8,407	7,566
FINANCED BY		
1. Borrowings	600	434
2. Net Worth*	7,807	7,132
TOTAL	8,407	7,566
*Represented by Equity Share		
Capital	348	348
Other equity	7,459	6,784
TOTAL	7,807	7,132
INCOME EARNED		
1. Revenue from operations	12,939	10,931
2. Other Income	384	267
TOTAL	13,323	11,198
INCOME DISTRIBUTED		
1. Materials consumed	6,983	5,651
2. Excise Duty (till 30th June, 2017)	-	-
3. Employee benefits expense	1,779	1,540

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

	Year ended 31st December, 2019	INR Million Year ended 31st December, 2018
4. Other expenses	2,675	2,457
5. Finance cost	53	37
6. Depreciation	457	397
7. Taxation		
Current	338	367
Deferred	60	9
8. Other Comprehensive (Income)/Expense (net)	52	(10)
9. Dividend (including tax thereon)	251	243
10. Retained Income	675	507
TOTAL	13,323	11,198

FINANCIAL SUMMARY (SEPARATE)

	2019*	2018*	2017*	2016*	2015
CAPITAL ACCOUNTS (INR Million)					
Liabilities					
Equity Share Capital	348	348	348	348	348
Other Equity	7,459	6,784	6,277	5,808	5,184
Non-Current Liabilities	424	366	373	370	365
Assets					
Non-Current Assets					
Gross Block	7,174	6,615	6,152	5,149	4,603
Net Block	3,418	3,252	3,123	2,351	2,083
Investments	63	63	63	63	63
Other Non-Current Assets	408	520	629	704	492
Deferred Tax Assets (net)	119	161	176	153	128
Current Assets (Net)	4,223	3,502	3,007	3,255	3,131
REVENUE ACCOUNTS (INR Million)					
Revenue from operations and Other Income	13,323	11,198	10,008	9,052	8,497
Gross Profit before finance cost and depreciation	1,886	1,550	1,391	1,315	1,350
Finance cost	53	37	35	31	17
Depreciation	457	397	309	294	278
Profit before tax	1,376	1,117	1,047	990	1,055
Profit after tax	978	740	677	654	698
Dividend amount (including tax thereon)	251	243	230	230	223
Retained earnings	675	507	470	387	475
SELECTED INDICATORS					
Return on Capital Employed %	17.00	15.24	16.03	16.40	19.33
Current Ratio	1.96	1.96	1.99	2.17	2.01
Earnings per share	28.10	21.27	19.45	18.77	20.06
Debt equity ratio	0.08	0.06	0.02	0.01	0.00
Book value per share	224.30	204.91	190.34	176.87	158.94
Dividend %	60	60	55	55	55
Fixed Assets Turnover	3.90	3.44	3.20	3.85	4.08

* Figures for the years 2016 to 2019 are as per IND AS compliant financial statements. Previous periods' figures are as per previous GAAP financial statements.

REPORT ON CORPORATE GOVERNANCE

ANNEXURE III TO BOARD'S REPORT

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 as on signing of this report, 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	DIN	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM
Mr. G. Swarup	00374298	Chairman - NED	4	Yes
Mr. D. N. Damania*	00403834	NED - I	4	Yes
Mr. Pradip Shah*	00066242	NED - I	4	Yes
Mr. V. K. Viswanathan**	01782934	NED - I	4	Yes
Ms. Sharmila Barua Roychowdhury	08242998	NED - I	4	Yes
Dr. Stephan Bross	00423114	NED	4	Yes
Dr. Matthias Schmitz	07884418	NED	4	Yes
Mr. Rajeev Jain	07475640	Managing Director - ED	4	Yes
Mr. A. R. Broacha*** (Upto 30th September, 2019)	00056291	NED - I	Nil	No

ED : Executive Director

NED : Non-Executive Director

NED - I : Non-Executive Director – Independent

* Mr. D. N. Damania and Mr. Pradip Shah are reappointed for second term effective from 1st October, 2019

** Mr. V. K. Viswanathan is reappointed for second term effective from 16th January, 2020.

*** Mr. A. R. Broacha retired effective from close of the business hours on 30th September, 2019 at the end of his term of appointment.

REPORT ON CORPORATE GOVERNANCE (Contd.)

(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	6	3	2
Mr. D. N. Damania	3	3	Nil
Mr. Pradip Shah	7	5	2
Mr. V. K. Viswanathan	8	8	5
Ms. Sharmila Barua Roychowdhury	Nil	Nil	Nil
Dr. Stephan Bross	Nil	Nil	Nil
Dr. Matthias Schmitz	Nil	Nil	Nil
Mr. Rajeev Jain	2	1	1
Mr. A. R. Broacha*	Nil	Nil	Nil

@ Directorships of other Indian Public Limited Companies are included.

Memberships in Audit Committee and Stakeholders' Relationship Committee of Indian Public Limited Companies are included in above table.

* Details provided for the period for which the Director held Directorship of other Companies during the year under review.

(d) Membership on the Boards of other listed Companies

Name of Director	Name of other Listed Company	Category
Mr. G. Swarup	Swadeshi Polytex Limited	Chairman & NED
	Industrial And Prudential Investment Company Limited	Chairman & MD
	Avadh Sugar & Energy Limited	NED-I
	TIL Limited	NED-I
	Graphite Limited	NED-I
Mr. D. N. Damania	Sanghvi Movers Limited	NED-I
	Sudarshan chemical Industries Limited	NED-I
Mr. Pradip Shah	BASF India Limited	NED-I
	Bajaj Auto Limited	NED-I
	Kansai Nerolac Paints Limited	NED-I
	Pfizer Limited	NED-I
	Sonata Software Limited	NED-I

REPORT ON CORPORATE GOVERNANCE (Contd.)

Mr. V. K. Viswanathan	Bharti Airtel Limited	NED-I
	HDFC Life Insurance Company Limited	NED-I
	Magma Fincrop Limited	NED-I
	United Spirits Limited	NED-I
	ABB India Limited	NED-I
Ms. Sharmila Barua Roychowdhury	Nil	Nil
Dr. Stephan Bross	Nil	Nil
Dr. Matthias Schmitz	Nil	Nil
Mr. Rajeev Jain	Nil	Nil
Mr. A. R. Broacha*	Nil	Nil

MD : Managing Director, NED : Non-Executive Director

NED – I : Non-Executive Director – Independent

*Details provided for the period for which the Directorship held during the year under review.

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

Meetings were held on 27th February, 2019, 8th May, 2019, 24th July, 2019 and 5th November, 2019.

- (f) There are no inter-se relationships between the Board members.

- (g) Number of shares held by Non-Executive Directors

Name of Non- Executive Director	No. of shares held
Mr. G. Swarup	34,000
Mr. D. N. Damania	4,200
Mr. A. R. Broacha*	37,220

Details provided for the period for which the Directorship held during the year under review.

No other Non-Executive Directors hold shares in the Company.

- (h) Web-link of familiarisation programme for Independent Directors : https://www.ksb.com/ksb-in/investor-relations/Terms_of_Appointment_of_Independent_Director/

- (i) The Board evaluates its composition to ensure that the Board has the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In the table below, the specific areas of focus or expertise of individual Board members have been highlighted.

REPORT ON CORPORATE GOVERNANCE (Contd.)

No.	Essential Core skills/expertise/competencies required for the Company	Core skills/expertise/competencies of the Board of Directors Company
1	Strategic and Business Leadership	The Directors and especially the Managing Director have many years of experience.
2	Financial expertise	The Board has eminent business leaders with deep knowledge of finance and business.
3	Governance, Compliance and Regulatory	The presence of Directors with qualifications and expertise in Law and Regulatory affairs lends strength to the Board.
4	Knowledge and expertise of Trade and Technology	The Directors have profound knowledge of economic Affairs, trade and technology related matters.

- (j) The Board has noted the declaration received from the Independent Directors pursuant to Listing Regulations, 2015 with regard to their Independence and is of the opinion that the Independent Directors fulfil the conditions of independence and are independent of the management of the Company.

3. COMMITTEES OF THE BOARD

A. Audit Committee

i. Terms of Reference

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Regulations, 2015 and the Act.

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings held	No. of Meetings attended
Mr. D. N. Damania (Chairman)	4	4
Mr. G. Swarup	4	4
Dr. Stephan Bross	4	4
Mr. Pradip Shah	4	4
Mr. V. K. Viswanathan	4	4
Ms. Sharmila Barua Roychowdhury *	4	2
Mr. A. R. Broacha **	4	0

*Member effective from 9th May, 2019

** Member upto 8th May, 2019

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

Meetings were held on 27th February, 2019, 8th May, 2019, 24th July, 2019 and 5th November, 2019.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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.

B. Nomination and Remuneration Committee

i. Terms of Reference

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Regulations, 2015 and the Act.

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings held	No. of Meetings attended
Mr. D. N. Damania (Chairman)	3	3
Mr. Pradip Shah	3	3
Mr. G. Swarup	3	3

iii. Details of Nomination and Remuneration Committee Meetings held during the year under review

Meetings were held on 27th February, 2019, 8th May, 2019 and 5th November, 2019.

iv. Remuneration Policy

Remuneration Policy of the Company aims at recommending and reviewing the remuneration to Managing Director, Non-Executive Directors and Key Managerial Personnel of the Company and is based on evaluation criteria such as industry benchmarks, Company's annual performance and its strategy, expertise, talent and meritocracy including criteria for determining qualification, positive attributes, independence of a Director etc.

v. Annual evaluation of Board, Committees and individual Directors

Pursuant to the provisions of the Act, Listing Regulations, 2015 and the Remuneration Policy of the Company, the Board of Directors/ Independent Directors/ Nomination and Remuneration Committee (as applicable) has undertaken an evaluation of its own performance, the performance of its Committees and of all the individual Directors including the Chairman of the Board of Directors based on various parameters relating to roles, responsibilities and obligations of the Board, effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees. Summary of evaluation is presented to the Nomination and Remuneration Committee and the Board of Directors (as applicable).

Directors express their satisfaction with the evaluation process.

C. Corporate Social Responsibility Committee

i. Terms of Reference

The terms of reference of this Committee are wide enough covering the matters specified under Companies Act, 2013 and the Rules made thereunder.

REPORT ON CORPORATE GOVERNANCE (Contd.)

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings held	No. of Meetings attended
Mr. D. N. Damania (Chairman)	1	1
Mr. G. Swarup	1	1
Mr. Rajeev Jain	1	1

iii. Details of Corporate Social Responsibility Committee meetings held during the year under review

Meeting was held on 27th February, 2019.

D. Stakeholders' Relationship Committee

i. Terms of Reference:

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Regulations, 2015 and the Act.

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings held	No. of Meetings attended
Mr. D. N. Damania (Chairman)*	4	4
Mr. G. Swarup	4	4
Mr. Rajeev Jain	4	4
Mr. A. R. Broacha **	4	1

*Chairman effective from 8th May, 2019

**Chairman and member upto 7th May, 2019

iii. Details of Stakeholders' Relationship Committee Meetings held during the year under review:

Meetings were held on 7th February, 2019, 6th May, 2019, 11th June, 2019 and 19th July, 2019.

iv. Compliance Officer upto 31st December, 2019 was Mr. Narasimhan R and Compliance Officer effective from 16th January, 2020 is Mr. Mahesh Bhawe, Company Secretary.

During the year under review 7 grievances were received based on the reports from Link in time India Private Limited. All the grievances have been resolved to the satisfaction of the shareholders. There are no pending Complaints as at the year end.

E. Risk Management Committee

i. Terms of Reference

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Regulations, 2015 and the Act.

REPORT ON CORPORATE GOVERNANCE (Contd.)

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings held	No. of Meetings attended
Mr. Pradip Shah (Chairman)	1	1
Dr. Matthias Schmitz	1	1
Mr. Rajeev Jain	1	1

iii. Details of Risk Management Committee meetings held during the year under review

The Meeting was held on 8th May, 2019.

4. REMUNERATION OF DIRECTORS

The remuneration payable to the Executive Director is approved by the members at the general meeting of the Company. Remuneration of Executive Director 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 on the recommendation of Nomination and Remuneration Committee determine the performance linked bonus from year to year.

(a) Details of remuneration paid/payable to the Executive Director for the year under review

INR '000s

Name of the Director	Salary	Commission	Performance linked bonus	Perquisites Contribution to Provident Fund	Total	Terms of appointment
Mr. Rajeev Jain	11,723	5,862	10,724	12,700	41,009	5 years, effective from 1st July, 2016 to 30th June, 2021

Notes:

- i. The above remuneration to Mr. Rajeev Jain excludes contribution for gratuity, superannuation and personal accident insurance premium and the liability for encashable leave as the figures for the Director are not separately available.
 - ii. The Company does not have a stock option scheme.
 - iii. The notice period for Mr. Rajeev Jain will be as per the service contract mutually agreed between him and the Board. 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of remuneration to Non-Executive Directors for the period 1st January, 2019 to 31st December, 2019 are as under:

INR '000s

Name of the Directors	Directors' Fees	Commission (to be proposed)
Mr. G. Swarup	240	1,500
Mr. D. N. Damania	240	1,200
Mr. Pradip Shah	220	1,200
Mr. V. K. Viswanathan	180	1,200
Ms. Sharmila Barua Roychowdhury	180	1,200
Dr. Stephan Bross	110	1,200
Dr. Matthias Schmitz	140	1,200
Mr. A. R. Broacha	5	900
Total	1,315	9,600

5. GENERAL BODY MEETINGS

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

Financial Year	Date	Time	Venue
2016	26th April, 2017	3.00 p.m.	Bajaj Bhavan, Mumbai
2017	25th April, 2018	3.00 p.m.	Bajaj Bhavan, Mumbai
2018	8th May, 2019	3.00 p.m.	Bajaj Bhavan, Mumbai

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

Financial Year	Special Resolution Passed
2016	No
2017	Yes
2018	Yes

(iii) Postal Ballot

No resolution was required to be passed by means of a postal ballot during the last year. Resolution, if required, shall be passed by Postal Ballot during the Financial Year 2020, as per the prescribed procedure.

REPORT ON CORPORATE GOVERNANCE (Contd.)

6. MEANS OF COMMUNICATION

i. Quarterly Results	Published in the newspaper every quarter
ii. Newspapers wherein results are normally published	i. Business Standard ii. Navshakti
iii. Any website, where results are displayed	On the website of the Company at www.ksbindia.co.in and on websites of BSE Limited and National Stock Exchange of India Ltd.
iv. Whether it also displays official news releases	Yes
v. The presentations made to institutional investors or to the analysts	Yes and the same is available on the website of the Company at www.ksbindia.co.in

7. GENERAL SHAREHOLDER INFORMATION

AGM: Date, Time and Venue	Originally it was on 7th May, 2020, now rescheduled on 28th September, 2020 at 3.00 p.m. through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM").
Financial Year	The financial year under review covers the period 1st January, 2019 to 31st December, 2019.
Date of Book Closure	Originally it was from 27th April, 2020 to 7th May, 2020 (both days inclusive) now rescheduled to 19th September, 2020 to 28th September, 2020 (both days inclusive).
Dividend Payment date	Originally it was 12th May, 2020 onwards, now rescheduled to 15th October, 2020.
Listing on Stock Exchanges	1. BSE Limited, Mumbai 2. National Stock Exchange of India Limited (NSE), Mumbai The Company has paid the listing fees for the period 1st April, 2019 to 31st March, 2020.
Stock Code	1. BSE : 500249 2. NSE : KSB 3. ISIN : INE999A01015
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 Agent	Link Intime India Pvt. Ltd.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Share Transfer System	The Securities and Exchange Board of India has mandated transfer of securities only in dematerialized form from 1st April, 2019.
Updation of KYC details	Members are requested to update their KYC details with Company's RTA viz. Link in time India Pvt. Ltd. at the earliest.
Distribution of Shareholding and Shareholding pattern as on 31st December, 2019	Please see Annexure 'C'.
Dematerialisation of shares and liquidity	99.17% of the Paid-up Capital has been dematerialised as on 31st December, 2019.
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 Maharashtra- Pimpri, Pune Chinchwad, Pune Vambori, Ahmednagar Sinnar, Nashik Kesurdi, Shirwal / Khandala Tamil Nadu- NSN Palayam, Coimbatore
Address for correspondence	Shareholders should address correspondence to Link Intime India Pvt. Ltd., C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No.: 022 49186270 E-mail: rnt.helpdesk@linkintime.co.in
Credit Rating	The Company does not have any debt instruments, fixed deposit program or any scheme for mobilization of funds and accordingly it has not obtained any credit ratings during the financial year for these purposes. The details of Credit Rating obtained for borrowings are covered in the Board's Report annexed herewith.

8. DISCLOSURES

- A. Pursuant to requirements of Listing Regulations, 2015 the Company has adopted the policy determining material subsidiaries and the policy on related party transactions and the said policies are available on the Company's website at: www.ksbindia.co.in

REPORT ON CORPORATE GOVERNANCE (Contd.)

B. Disclosure on Material Related Party Transactions

The Company has not entered into any transactions of a material nature with the promoters, Directors or management their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large.

Normal trade transactions, sales commission agreement for exports and license and technical collaboration agreements are being entered into with KSB SE (Previously 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 Ind AS 24 are given under Note 32 of the financial statements.

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

Name of the Directors	No. of shares held	Dividend paid (INR)
Mr. G. Swarup	34,000	204,000
Mr. A. R. Broacha	37,220	223,320
Mr. D. N. Damania	4,200	25,200

C. 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 except one instance of delayed prior intimation of Board Meeting for adoption of results for the quarter ended 30th September, 2018. The Company had paid requisite fine to BSE Limited and National Stock Exchange of India Limited.

D. 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.

E. Whistle Blower Policy

The Whistle Blower Policy has been adopted to provide appropriate avenues to the stakeholders to bring to the attention of the management, the concerns about any unethical behaviour, by using the mechanism provided in the Policy. We affirm that no personnel has been denied access to the Chairman of the Audit Committee.

F. Details required under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been disclosed in Board's Report.

G. Certificate from practicing Company Secretary on eligibility of the Board of Directors to serve as Directors is annexed to this Report.

H. The Board has accepted the recommendations of its Committees, as applicable.

I. The total fees for all services paid by the Company to the statutory auditor are mentioned in financial statements.

REPORT ON CORPORATE GOVERNANCE (Contd.)

9. NON-MANDATORY REQUIREMENTS

The Company has complied with all requirements of corporate governance specified in Listing Regulations, 2015. The Board has taken cognizance of the discretionary requirements as specified in Part E of Schedule II to the Listing Regulations, 2015 and shall consider adopting the same at an appropriate time.

On behalf of the Board of Directors
G. SWARUP
Chairman

Mumbai, 27th February, 2020

Declaration by the Managing Director under Schedule V to SEBI Listing Regulations, 2015 regarding compliance with Business conduct Guidelines (Code of Conduct)

All Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2019.

Rajeev Jain
Managing director

Mumbai, 27th February, 2020

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
KSB Limited

(Formerly Known as KSB Pumps Limited)

We have examined the compliance with conditions of Corporate Governance by KSB Limited for the year ended on 31st December, 2019, as stipulated in Regulation 34 (3) read with Schedule V of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations').

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 substantially complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations.

Based on the representation received from the Company and certified by the Registrars and Transfer Agent, no investor grievance is pending for a period exceeding one month as on 31st December, 2019 against the Company and the Registrars and Transfer Agents have reported to the Stakeholders Relationship Committee on the status of the grievances, if any.

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
UDIN: F004554A000576598

Mumbai, 27th February, 2020

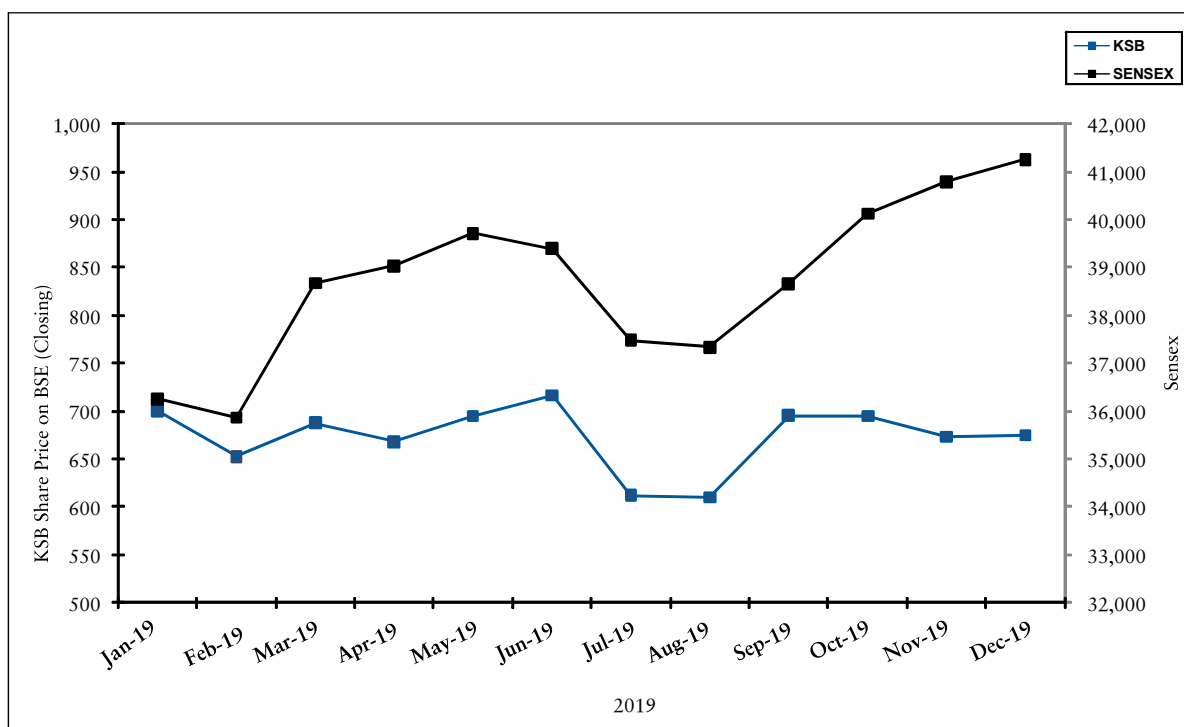
REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE A

Price and volume of shares traded

Month/Year	BSE Ltd.			National Stock Exchange of India Ltd.		
	High (INR)	Low (INR)	Volume traded	High (INR)	Low (INR)	Volume traded
January, 2019	780	662	9,409	790	664	115,696
February, 2019	705	601	14,180	709	642	88,012
March, 2019	752	641	13,352	729	639	221,842
April, 2019	709	666	4,236	712	663	53,785
May, 2019	720	640	101,789	718	649	195,351
June, 2019	739	687	7,367	739	675	90,838
July, 2019	740	608	8,681	739	603	129,952
August, 2019	621	550	10,136	620	549	108,442
September, 2019	714	535	20,900	714	539	141,875
October, 2019	701	627	5,695	700	625	85,112
November, 2019	740	645	7,796	738	665	156,300
December, 2019	690	632	9,663	689	631	107,630

ANNEXURE B



REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE C

Distribution of shareholding as on 31st December, 2019

Number of shares held	Members		Shares	
	Number	%	Number	%
1-500	12,903	86.67	1,265,011	3.63
501-1,000	953	6.40	719,613	2.07
1,001-2,000	618	4.15	912,725	2.62
2,001-3,000	183	1.23	445,117	1.28
3,001-4,000	56	0.38	193,232	0.56
4,001-5,000	35	0.24	156,253	0.45
5,001-10,000	75	0.50	525,302	1.51
10,001 and above	64	0.43	3,059,0591	87.88
Total	14,887	100.00	34,807,844	100.00

Shareholding pattern as on 31st December, 2019

Category	No. of Members	No. of Shares held	% to the Capital
Indian Promoters	8	90,03,458	25.87
Foreign Promoters	1	1,41,10,848	40.54
Mutual Funds and UTI	31	29,63,688	8.51
Banks, Financial Institutions and Insurance Companies	6	11,61,066	3.34
Foreign Institutional Investors	0	0	0.00
Private Corporate Bodies	261	18,49,017	5.31
Indian Public/Trust	13,875	41,87,531	12.03
Foreign Nationals/NRIs	705	15,32,236	4.40
Total	14,887	34,807,844	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10) (i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
KSB LIMITED
(Formerly known as KSB Pumps Ltd)
Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai - 400080.

We have examined the relevant registers, records, forms, returns, declarations and other disclosures received from the Directors of KSB LIMITED (Formerly known as KSB Pumps Ltd), having CIN: L29120MH1960PLC011635 and having registered office situated at Office No. 601, Runwal R-Square, L.B.S. Marg, Mulund (West), Mumbai - 400080 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and carried by us and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on December 31, 2019 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authorities:

Sr. No.	Name of Director	DIN	Date of Appointment in Company
1.	Gaurav Swarup	00374298	24/01/2000
2.	Pradip Panalal Shah	00066242	21/06/2008
3.	Dara Nadirshaw Damania	00403834	30/12/1981
4.	Stephan Bross	00423114	11/02/2014
5.	Vegulaparanan Kasi Viswanathan	01782934	16/01/2015
6.	Rajeev Jayantiprasad Jain	07475640	01/07/2016
7.	Matthias Gunter Schmitz	07884418	25/07/2017
8.	Sharmila Barua Roychowdhury	08242998	30/09/2018

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Hetal Shah
Nilesh Shah & Associates
FCS : 8063, C.P. : 8964
UDIN: F008063A000576675

BUSINESS RESPONSIBILITY REPORT

ANNEXURE IV TO BOARD'S REPORT

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) : L29120MH1960PLC011635
2. Name of the Company : KSB LIMITED (Formerly known as KSB PUMPS LIMITED)
3. Registered Address : Office No. 601, Runwal R-Square, L.B.S. Marg, Mulund (West), Mumbai-400 080, Tel. : +91 (022) 2168 1300
4. Website : www.ksbindia.co.in
5. E-mail id : compsec.india@ksb.com
6. Financial Year Reported : 1st January, 2019 to 31st December, 2019
7. Sector(s) the Company is engaged in (industrial activity code-wise):

Industrial Group	Description
281	Manufacture of general purpose machinery

8. List three key products/services that the Company manufactures/provides (as in balance sheet):
 - i) Manufacture of power driven pumps and spares thereof
 - ii) Manufacture of industrial valves and spares thereof
 - iii) Production of castings for captive consumption
9. Total number of locations where business activity is undertaken by the Company:
 - i. Number of international locations (provide details of major 5): Nil
 - ii. Number of national locations: 6 manufacturing units, 4 zonal offices, 4 service stations, 22 warehouses and 16 branch offices at different locations across India.
10. Markets served by the Company: Local, state, national, international

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR Million): 348.08
2. Total turnover (INR Million): 12,939.08 (Separate)
3. Total profit after taxes (INR Million): 978.25 (Separate)
4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): 2.14
5. List of activities in which expenditure in 4 above has been incurred:
Details are in the Annual Report on CSR Activities annexed to Board's Report.

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company / Companies?
Yes, the Company has 1 subsidiary viz. Pofran Sales and Agency Limited.
2. Does the Subsidiary Company/ Companies participate in the Business Responsibility ("BR") Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s):
There is no participation by the subsidiary Company in business responsibility initiatives.
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR Initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60]
The Company encourages its suppliers, dealers and other stakeholders to support various initiatives taken by the Company towards its business responsibility.

BUSINESS RESPONSIBILITY REPORT (Contd.)

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

(a) Details of the Director / Directors responsible for implementation of the BR policy/policies:

DIN: 07475640

Name: Mr. Rajeev Jain

Designation: Managing Director

(b) Details of the BR head

No.	Particulars	Details
1.	DIN (if applicable)	07475640
2.	Name	Rajeev Jain
3.	Designation	Managing Director
4.	Telephone number	020 2710 1000
5.	e-mail id	rajeev.jain@ksb.com

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N):

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These are briefly as under:

- P1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- P3 Businesses should promote the well being of all employees
- P4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
- P5 Businesses should respect and promote human rights
- P6 Businesses should respect, protect and make efforts to restore the environment
- P7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8 Businesses should support inclusive growth and equitable development
- P9 Businesses should engage with and provide value to their customers and consumers in a responsible manner

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for principle	Y	Y	Y	Y	Y*	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y

BUSINESS RESPONSIBILITY REPORT (Contd.)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
3	Does the policy confirm to any national / international standards? If yes, specify?	The policies are developed and aligned to applicable legal and regulatory requirements, guidelines, regulations and our internal mandates; and are in line with international standards and practices such as ISO 9001, ISO 45001, OHSAS 18001, PED 2014/68/EU etc.								
4	Has the policy being approved by the board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	The policies pertaining to local legislations and systems are approved and signed by relevant senior management personnel.								
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Yes. The Company has specified Committees of the Board/Directors/Officials to oversee the implementation of the policies.								
6	Indicate the link for the policy to be viewed online?	<p>KSB Code of Conduct is available at: https://www.ksb.com/ksb-in/investor-relations/code-of-conduct/</p> <p>CSR Policy is available at: https://www.ksb.com/ksb-in/investor-relations/our-policies/csr-policy/csr-policy/91858/</p> <p>Whistle Blower Policy is available at: https://www.ksb.com/ksb-in/investor-relations/our-policies/</p> <p>All other policies are available on the Company's internal network.</p>								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes. All the policies communicated to internal stakeholders are available on the internal network. Policies communicated to external stakeholders are available on the website of the Company.								
8	Does the company have in-house structure to implement the policy/ policies?	Yes. There is an in-house structure with defined roles and responsibilities.								
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Yes. The Company has a grievance redressal mechanism.								
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Yes. The Company's policies and procedures are supported by internal risk controls. These risk controls are continually evaluated for their efficacy through internal audit mechanism and are also subject to external audits.								

*This Principle is encompassed in the KSB Code of Conduct.

BUSINESS RESPONSIBILITY REPORT (Contd.)

2a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principle	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	P7 The Company through the various industry forums endeavours to promote growth and technological progress, economic reforms, inclusive development policies and sustainable business principles. Therefore, need for a formal policy has not been felt.								

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

Assessment is an ongoing exercise and is an inherent part of corporate functions.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

The BR is published annually as part of the annual report.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No.

Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/Others?

No. The Policy extends to the group, suppliers, dealers, service providers, contractors and all relevant stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has received 2 complaints from stakeholders related to ethics, bribery during the year 2019. The Company has taken adequate steps to enquire into the matter, make necessary disclosures, take corrective steps in this matter and ensured preventive steps for future in this regard.

BUSINESS RESPONSIBILITY REPORT (Contd.)

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.
 - i. KWPK (high efficiency Pump for Flue Gas Desulphurization plants)
 - ii. Gamma (Horizontal split case Water handling pumps)
 - iii. KSB make Mechanical Seal (New product line for pump sealing)
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

- (a) Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain?
- (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The above products are energy efficient designs and hence lead to conservation of drive power i.e. electricity.

- i. KWPK : This series has been newly developed and aimed at high efficiency with a special corrosion resistant material with longer wear life. The product will be used in Flue Gas desuplurisation plants which aims at reducing the Sulpur contents from Thermal coal fired power plants to atmosphere. This helps in reducing emissions and protecting our environment. Special material used for pump parts leads to longer life in this very corrosive application, thereby reducing the maintenance cost during plant operations. Higher efficiency of product helps in reducing the power consumption.
 - ii. Gamma : This horizontal split case pump series has developed by optimizing weights and hydraulics of the global series with intention providing light weight efficient and maintenance friendly product. These weights are lower by minimum 15% compared to global series Omega. This will result in raw material conservation.
 - iii. KSB Make Mechanical seals : This is a new product line which we have introduced with the intention to supply high quality mechanical seals to avoid pumping liquid leakage environment.
3. Does the company have procedures in place for sustainable sourcing (including transportation)?
If yes, what percentage of your inputs was sourced sustainably?

The supplier selection, assessment and evaluation process includes elements of sustainability. This includes audits by internal Quality Management as well external audits like “Made by KSB” are carried out by the parent entity viz. KSB SE, Germany. KSB ensures contractual agreement with logistic providers for safe transportation of goods. More than 50% goods were sourced sustainably based on mentioned sourcing criteria.

Various aspects of sustainability are laid down in procurement activity e.g. legal compliance, health, safety and environmental protection. Bribery and corruption is addressed by a statement forming part of the purchase order documentation. The Company respects rules of free competition and has built strong partnerships with suppliers.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Overall large portion of goods to the extent of 55 % is sourced from small and medium enterprises. The Company continuously looks for opportunities to source its material locally. Local suppliers are

BUSINESS RESPONSIBILITY REPORT (Contd.)

generally preferred if they meet quality specifications and cost criteria as well Environment, Health and Safety (“EHS”) compliance. Suppliers are audited and supported for the development. Outsourcing to local suppliers is ongoing activity. A structured development plan is in place for localization. Further, components and products have been identified which are currently imported. Support is provided to suppliers for local manufacturing.

5. **Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

The Company is committed to increase waste management efficiency. The robust waste management system in the Company regulates the measures with regard to waste prevention, recycling and ecologically acceptable disposal of the waste, internal collection and treatment of waste for recycling and disposal. At all the locations of the Company, wastes are segregated based on their characteristics, collected and stored in an appropriate manner. The wastes collected are sent to the Company’s plant at foundry for recycling or to the Central / state pollution board approved recyclers for suitable reuse/ recycle/ disposal.

Principle 3 : Businesses should promote the wellbeing of all employees

1. Please indicate the total number of employees: 1,745
2. Please indicate the total number of employees hired on temporary/ contractual/ casual basis: 993
3. Please indicate the number of permanent women employees: 47
4. Please indicate the number of permanent employees with disabilities: 0
5. Do you have an employee association that is recognized by management?: Yes
6. What percentage of your permanent employees are members of this recognized employee association? 59 %
7. Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year: Nil
8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?
 - (a) Permanent Employees : 100 %
 - (b) Permanent Women Employees: 100 %
 - (c) Casual/ Temporary/ Contract Employees: 100 %
 - (d) Employees with Disabilities: N. A.

Principle 4 : Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

1. Has the company mapped its internal and external stakeholders?

Yes. The company has mapped its internal and external stakeholders.
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes. The company has identified the disadvantaged, vulnerable & marginalized stakeholders.
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

The details of initiatives undertaken for disadvantaged, vulnerable and marginalised stakeholders are in the Annual Report on CSR Activities annexed to Board’s Report.

BUSINESS RESPONSIBILITY REPORT (Contd.)

Principle 5 : Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/NGOs/ Others?

The Company's policy on human rights extends to the group, suppliers, dealers, service providers, contractors and all relevant stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? Nil

Principle 6 : Businesses should respect, protect and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.

The Company has well laid down policies, principles and standards that all its units in India must adhere to. Our Environment, Health and Safety Policy also specifies requirements to be extended to the contractors.

2. Does the company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

Yes. The strategies / initiatives are covered in the action arising on implementation of the Policy.

3. Does the company identify and assess potential environmental risks? Y/N

Yes. The Company identifies and assesses potential environmental risks.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

The Company currently does not have any Clean Development Mechanism Project.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Innovative technologies are used to reduce the impact on the environment. In the entire chain of manufacturing, the emphasis is on preserving natural resources. Processes are designed to minimize use of raw materials and energy. Details of conservation of energy are in the annexure to the Board's Report.

6. Are the emissions/waste generated by the company within the permissible limits given by CPCB/ SPCB for the financial year being reported?

The Company is in compliance with the applicable environmental laws and regulations. The Company's emissions, effluents and waste are within Central and State Pollution Control Boards permission limits.

7. Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year: Nil

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:

The Company is a member of:

- i. Maharashtra Chamber of Commerce Industries and Agriculture (MCCIA)
- ii. Indian Pumps Manufacturers' Association (IPMA)
- iii. Confederation of Indian Industry (CII)
- iv. Indo-German Chamber of Commerce (IGCC)
- v. Indian Plumbing Association
- vi. German Machinery and Plant Manufacturer's Association

BUSINESS RESPONSIBILITY REPORT (Contd.)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

Yes, following are the broad areas:

- i. Governance and Administration
- ii. Economic Reforms

Principle 8 : Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.

The details of programmes/ initiatives/ projects are in the Annual Report on CSR Activities annexed to Board's Report.

2. Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organization?

The activities are undertaken through KSB Care Charitable Trust.

3. Have you done any impact assessment of your initiative?

The impact assessment of initiatives is an ongoing exercise as per the CSR activities.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

The details of contribution are in the Annual Report on CSR Activities annexed to Board's Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Company ensures its presence is established right from the commencement of the initiatives. It collaborates with the communities right from need identification to project implementation phase. The Company has extensive engagement with various stakeholders. The feedback from the stakeholders are analysed and various actions like improvement actions are prioritized.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

There were no new/ pending consumer complaints/ cases filed against the Company during the year.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ N.A./Remarks (additional information)

Yes, apart from the mandated declarations, additional declarations are furnished on the products / labels relating to the products and their usage.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so: NIL

4. Did your company carry out any consumer survey/consumer satisfaction trends?: No.

On behalf of the Board of Directors

G. SWARUP
Chairman

Mumbai, 27th February, 2020

ANNEXURE TO BOARD'S REPORT (Contd.)

ANNEXURE V TO BOARD'S REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31st December, 2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014

I. REGISTRATION & OTHER DETAILS

CIN	L29120MH1960PLC011635
Registration Date	11th April, 1960
Name of the Company	KSB LIMITED (Formerly KSB PUMPS LIMITED)
Category/Sub-category of the Company	Indian Non-Government Company limited by shares
Address of the Registered office & contact details	Office No. 601, Runwal R-Square, L.B.S. Marg, Mulund (West), Mumbai- 400 080, Tel. : +91 (022) 2168 1300, email: compsec.india@ksb.com
Whether listed company	Yes
Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt Ltd. C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No.: 022 49186270, Fax: 022-49186060, rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

S. No.	Name and Description of main products / services	NIC Code of the Product/Service	% to total turnover of the Company
1	Manufacturing of pumps and spares thereof	2812	74.46
2	Manufacturing of valves and spares thereof	2813	13.69

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Pofran Sales and Agency Limited, 104th Mile Stone Mumbai-Pune Road, Pimpri, Pune-411018	U51103PN2005PLC020123	Subsidiary	100	2(87)
2	KSB MIL Controls Limited (Formerly MIL Controls Limited) Meladoor, Annamanada, Thrissur, Kerala- 680741	U32107KL1983PLC003725	Associate	49	2(6)

ANNEXURE TO BOARD'S REPORT (Contd.)

IV. SHARE HOLDING PATTERN

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(i) Category-wise Shareholding									
A. Promoters									
(1) Indian									
a) Individual/ HUF	1,53,458	-	1,53,458	0.44	1,53,458	-	1,53,458	0.44	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	88,50,000	-	88,50,000	25.43	88,50,000	-	88,50,000	25.43	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	90,03,458	-	90,03,458	25.87	90,03,458	-	90,03,458	25.87	-
(2) Foreign									
a) NRI-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	1,41,10,848	-	1,41,10,848	40.54	1,41,10,848	-	1,41,10,848	40.54	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	1,41,10,848	-	1,41,10,848	40.54	1,41,10,848	-	1,41,10,848	40.54	-
Total Shareholding of Promoter [(A)= (A)(1)+(A)(2)]	2,31,14,306	-	2,31,14,306	66.41	2,31,14,306	-	2,31,14,306	66.41	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds / UTI	32,22,627	600	32,23,227	9.26	29,63,688	-	29,63,688	8.51	(0.75)
b) Banks / FI	2,666	808	3,474	0.01	6,150	808	6,958	0.02	0.01
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	11,48,690	-	11,48,690	3.30	11,54,108	-	11,54,108	3.32	0.02
g) FII's	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Foreign Portfolio Investor	12,17,374	-	12,17,374	3.50	12,21,936	-	12,21,936	3.51	0.01
j) Foreign Financial Institution	-	-	-	-	-	-	-	-	-
k) Any Other: Alternate Investment funds	4,32,000	-	4,32,000	1.24	4,82,000	-	4,82,000	1.39	0.15
Sub-total (B)(1)	60,23,357	1,408	60,24,765	17.31	58,27,882	808	58,28,690	16.75	(0.56)

ANNEXURE TO BOARD'S REPORT (Contd.)

(i) Category-wise Shareholding									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	14,00,264	3,466	14,03,730	4.03	13,63,651	3,366	13,67,017	3.93	(0.11)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	31,17,442	2,62,542	33,79,984	9.71	32,97,746	2,31,943	35,29,689	10.14	0.43
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	3,79,990	50,112	4,30,102	1.24	4,37,377	50,112	4,87,489	1.40	0.16
c) Trusts	7,477	-	7,477	0.02	5,366	-	5,366	0.02	(0.01)
d) Hindu Undivided Family	1,29,176	-	1,29,176	0.37	1,32,425	-	1,32,425	0.38	0.01
e) Non-Resident Indians	2,48,927	3,540	2,52,467	0.72	3,06,760	3,540	3,10,300	0.88	0.16
f) Directors/ Relatives	34,200	-	34,200	0.10	5,000	-	5,000	0.01	(0.08)
g) Clearing Members	8,230	-	8,230	0.02	3,870	-	3,870	0.01	(0.01)
h) IEPF	20,512	-	20,512	0.06	23,692	-	23,692	0.07	0.01
i) NBFC registered with RBI	2,895	-	2,895	0.01	-	-	-	0.00	-0.01
Sub-total (B)(2)	53,49,113	3,19,660	56,68,773	16.28	55,75,887	2,88,961	58,64,848	16.84	0.56
Total Public Shareholding [(B) = (B)(1)+(B)(2)]	1,13,72,470	3,21,068	1,16,93,538	33.59	1,14,03,769	2,89,769	1,16,93,538	33.59	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	3,44,86,776	3,21,068	3,48,07,844	100.00	3,45,18,075	2,89,769	3,48,07,844	100.00	-
(ii) Shareholding of Promoter:									
S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year	
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total Shares		
1	Vikram Swarup	40,000	0.11	-	40,000	0.11	-	-	
2	Gaurav Swarup	34,000	0.10	-	34,000	0.10	-	-	
3	Bindu Vikram Swarup	16,000	0.05	-	16,000	0.05	-	-	
4	Parul Swarup	3,058	0.01	-	3,058	0.01	-	-	
5	Vikram Swarup & Gaurav Swarup	60,400	0.17	-	60,400	0.17	-	-	
6	The Industrial And Prudential Investment Co. Ltd.	71,40,000	20.51	-	71,40,000	20.51	-	-	
7	Paharpur Cooling Towers Ltd.	14,50,000	4.17	-	14,50,000	4.17	-	-	
8	New Holding And Trading Co. Ltd.	2,60,000	0.75	-	2,60,000	0.75	-	-	
9	Canadian Kay Pump Limited	1,41,10,848	40.54	-	1,41,10,848	40.54	-	-	
	Total	2,31,14,306	66.41	-	2,31,14,306	66.41	-	-	

ANNEXURE TO BOARD'S REPORT (Contd.)

(iii) Change in Promoters' Shareholding

There were no changes in the promoters' shareholding during the year under review.

(iv) Shareholding Pattern of Top Ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

S. No.	For each of the Top Ten Shareholders	Shareholding at the beginning / end of the year	% of total Shares of the Company	Date of transaction	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	% of total Shares of the Company
1	RELIANCE CAPITAL TRUSTEE CO LTD-A/C (NIPPON INDIA TAX SAVER (ELSS) FUND)	23,96,693	6.89					
				4-Jan-19	(443)	Sale	23,96,250	6.88
				11-Jan-19	(9,131)	Sale	23,87,119	6.86
				18-Jan-19	(378)	Sale	23,86,741	6.86
				25-Jan-19	(2,717)	Sale	23,84,024	6.85
				1-Feb-19	(15,862)	Sale	23,68,162	6.80
				8-Feb-19	(4,079)	Sale	23,64,083	6.79
				15-Feb-19	(2,921)	Sale	23,61,162	6.78
				22-Feb-19	(10,660)	Sale	23,50,502	6.75
				1-Mar-19	(10,013)	Sale	23,40,489	6.72
				8-Mar-19	(99,634)	Sale	22,40,855	6.44
				15-Mar-19	(794)	Sale	22,40,061	6.44
				24-May-19	(253)	Sale	22,39,808	6.43
				31-May-19	(2,07,782)	Sale	20,32,026	5.84
				7-Jun-19	(169)	Sale	20,31,857	5.84
				14-Jun-19	(3,206)	Sale	20,28,651	5.83
				21-Jun-19	(1,671)	Sale	20,26,980	5.82
				29-Jun-19	(2,532)	Sale	20,24,448	5.82
				19-Jul-19	(24,624)	Sale	19,99,824	5.75
				27-Sep-19	(9,352)	Sale	19,90,472	5.72
				29-Nov-19	(50,000)	Sale	19,40,472	5.57
				20-Dec-19	(5,697)	Sale	19,34,775	5.56
		19,34,775	5.56					
2	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	11,48,690	3.30					
				4-Jan-19	5,000	Purchase	11,53,690	3.31
				1-Feb-19	3,100	Purchase	11,56,790	3.32
				8-Feb-19	(1,741)	Sale	11,55,049	3.32
				22-Feb-19	3,200	Purchase	11,58,249	3.33
				8-Mar-19	5,000	Purchase	11,63,249	3.34
				15-Mar-19	1,000	Purchase	11,64,249	3.34
				5-Apr-19	1,513	Purchase	11,65,762	3.35
				10-May-19	(5,000)	Sale	11,60,762	3.33
				26-Jul-19	(4,100)	Sale	11,56,662	3.32

ANNEXURE TO BOARD'S REPORT (Contd.)

S. No.	For each of the Top Ten Shareholders	Shareholding at the beginning / end of the year	% of total Shares of the Company	Date of transaction	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	% of total Shares of the Company
				2-Aug-19	(5,404)	Sale	11,51,258	3.31
				23-Aug-19	(1,050)	Sale	11,50,208	3.30
				30-Aug-19	(1,000)	Sale	11,49,208	3.30
				20-Sep-19	(2,600)	Sale	11,46,608	3.29
				27-Sep-19	8,000	Purchase	11,54,608	3.32
				4-Oct-19	(2,500)	Sale	11,52,108	3.31
				11-Oct-19	(6,000)	Sale	11,46,108	3.29
				25-Oct-19	1,000	Purchase	11,47,108	3.30
				8-Nov-19	3,000	Purchase	11,50,108	3.30
				20-Dec-19	2,000	Purchase	11,52,108	3.31
				31-Dec-19	2,000	Purchase	11,54,108	3.32
		11,54,108	3.32					
3	THYSSENKRUPP INDUSTRIES INDIA PRIVATE LIMITED.							
		10,80,000	3.10					
						No change in the shareholding during the year		
		10,80,000	3.10					
4	PINEBRIDGE INVESTMENTS GF MAURITIUS LIMITED							
		9,65,351	2.77					
						No change in the shareholding during the year		
		9,65,351	2.77					
5	SUNDARAM MUTUAL FUND A/C (SUNDARAM INFRASTRUCTURE ADVANTAGE FUND)							
		7,80,536	2.24					
				25-Jan-19	(2,550)	Sale	7,77,986	2.24
				1-Feb-19	(5,047)	Sale	7,72,939	2.22
				8-Feb-19	6,257	Purchase	7,79,196	2.24
				15-Feb-19	948	Purchase	7,80,144	2.24
				22-Feb-19	1,090	Purchase	7,81,234	2.24
				1-Mar-19	64	Purchase	7,81,298	2.24
				8-Mar-19	3,400	Purchase	7,84,698	2.25
				10-May-19	825	Purchase	7,85,523	2.26
				17-May-19	579	Purchase	7,86,102	2.26
				24-May-19	2,685	Purchase	7,88,787	2.27
				31-May-19	91,090	Purchase	8,79,877	2.53
				27-Sep-19	12,556	Purchase	8,92,433	2.56
				18-Oct-19	2,256	Purchase	8,94,689	2.57
				1-Nov-19	100	Purchase	8,94,789	2.57
		8,84,789	2.57					

ANNEXURE TO BOARD'S REPORT (Contd.)

S. No.	For each of the Top Ten Shareholders	Shareholding at the beginning / end of the year	% of total Shares of the Company	Date of transaction	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	% of total Shares of the Company
6	VANTAGE EQUITY FUND	4,02,000	1.15					
				29-Nov-19	50,000	Purchase	4,52,000	1.30
		4,52,000	1.30					
7	KEVIC ANANT SETALVAD	0	0.00					
				13-Sept-19	1,10,700	Transmission	1,10,700	0.32
		1,10,700	0.32					
8	GOVERNMENT OF SINGAPORE - E	1,07,907	0.31					
						No change in the shareholding during the year		
		1,07,907	0.31					
9	RAMESH DAMANI	94,035	0.27					
						No change in the shareholding during the year		
		94,035	0.27					
10	KCANARA ROBECO MUTUAL FUND A/C CANARA ROBECO SMALL CAP FUND	200	0.00					
				8-Mar-19	89,555	Purchase	89,755	0.26
		89,755	0.26					

(v) Shareholding of Directors and Key Managerial Personnel

S. No.	Shareholding of each Director and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Mr. Rajeev Jain						
	At the beginning of the year	1-Jan-2019		800	0.00		
	Changes during the year		-	-	-	800	0.00
	At the end of the year	31-Dec-2019		800	0.00		
2	Mr. D.N. Damania						
	At the beginning of the year	1-Jan-2019		4,200	0.02		
	Changes during the year		-	-	-	4,200	0.02
	At the end of the year	31-Dec-2019		4,200	0.02		
3	Mr. G. Swarup						
	At the beginning of the year	1-Jan-2019		34,000	0.10		
	Changes during the year		-	-	-	34,000	0.10
	At the end of the year	31-Dec-2019		34000	0.10		
4	Mr. A. R. Broacha*						
	At the beginning of the year	1-Jan-2019		37,220	0.11		
	Changes during the year	30-Sep-2019	Retirement	37,220	0.11	37,220	0.11
	At the end of the year	Not Applicable		Not Applicable			

* Details provided for the period for which the Directorship held during the year under review.

ANNEXURE TO BOARD'S REPORT (Contd.)

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	INR Million
				Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	100.14	334.12	-	434.26
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	100.14	334.12	-	434.26
Change in Indebtedness during the financial year				
Addition (Net)	-	290.00	-	290.00
Reduction (Net)	(100.14)	(24.12)	-	(124.26)
Net Change	(100.14)	265.88	-	165.74
Indebtedness at the end of the financial year				
i) Principal Amount	-	600.00	-	600.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	600.00	-	600.00

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager		INR Million
S. No.	Particulars of Remuneration	Managing Director
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	33.35
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	6.25
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	-
	- as % of profit	-
	- others, specify	-
5	Others (Contribution to Provident Fund)	1.41
	Total (A)	41.01
	Ceiling as per the Act	64.84

ANNEXURE TO BOARD'S REPORT (Contd.)

B. Remuneration to other Directors							INR Million
S. No.	Particulars of Remuneration	Name of Directors					Total Amount
1	Independent Directors	Mr. D. N. Damania	Mr. Pradip Shah	Mr. V.K. Viswanathan	Ms. Sharmila Barua Roychowdhury	Mr. A. R. Broacha	
	Fee for attending board / committee meetings	0.24	0.22	0.18	0.14	0.01	
	Commission	1.20	1.20	1.20	1.20	0.90	
	Others	-	-	-	-	-	
	Total (1)	1.44	1.42	1.38	1.34	0.91	6.49
2	Other Non-Executive Directors	Mr. G. Swarup	Dr. Stephan Bross	Dr. Matthias Schmitz			
	Fee for attending board / committee meetings	0.24	0.18	0.11			
	Commission	1.50	1.20	1.20			
	Others	-	-	-			
	Total (2)	1.74	1.38	1.31			4.43
	Total (B)=(1+2)						10.92
	Total Managerial Remuneration						51.93
	Overall Ceiling as per the Act						77.81
C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD							INR Million
S. No.	Particulars of Remuneration Designation	Key Managerial Personnel				Total Amount	
		Chief Financial Officer	Company Secretary				
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			11.82	3.29	15.11	
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			-	0.02	0.02	
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			-	-	-	
2	Stock Option			-	-	-	
3	Sweat Equity			-	-	-	
4	Commission						
	- as % of profit			-	-	-	
	- others, specify			-	-	-	
5	Others (Contribution to Provident Fund)			0.38	0.12	0.50	
	Total			12.20	3.43	15.63	

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

During the year under review, no penalties were levied against the Company, its Directors or any of its officers.

On behalf of Board of Directors

Mumbai, 27th February, 2020

G. Swarup
Chairman

ANNEXURE TO BOARD'S REPORT (Contd.)

ANNEXURE VI TO BOARD'S REPORT

STATEMENT OF DISCLOSURE OF REMUNERATION

under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- I. **Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2019, the percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer and Company Secretary during the Financial year 2019.**

No.	Name of the Director / KMP	Designation	Ratio of remuneration of each Director to the median remuneration of employees	% Increase in remuneration during FY 2019
1.	Mr. Rajeev Jain	Managing Director	58 : 1	6%
2.	Mr. Milind Khadilkar	Chief Financial Officer	Not Applicable	13.7%
3.	Mr. Narasimhan R	Company Secretary	Not Applicable	10%

Note: The Independent Directors of the Company are entitled for sitting fees and commission as per the statutory provisions and within the limits approved by the shareholders. The details of remuneration of Non-executive Directors are provided in the Corporate Governance Report. The ratio of remuneration and percentage increase for Non-executive Directors' Remuneration is therefore not considered for the above purpose.

- ii. **The percentage increase in the median remuneration of the employees in the financial year:** There has been an increase of 24.70 % in median remuneration of employees in Financial Year 2019 as compared to Financial Year 2018.
- iii. **The number of permanent employees on the rolls of the Company:** There were 1,739 employees on the rolls of the Company as on 31st December, 2019.
- iv. **Average percentile increase already made in the salaries of employees other than the key managerial personnel in Financial Year 2019 and its comparison with the percentile increase in the managerial remuneration:** The aggregate remuneration of employees other than managerial personnel has increased by 10% and that of managerial personnel has also increased by 10%
- v. **Affirmation that the remuneration is as per the remuneration policy of the Company:** The remuneration of Directors was as per the Remuneration Policy of the Company.

On behalf of the Board of Directors

G. Swarup
Chairman

Mumbai, 27th February, 2020

ANNEXURE TO BOARD'S REPORT (Contd.)

ANNEXURE VII TO BOARD'S REPORT

FORM NO. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members,
KSB LIMITED
(Formerly known as KSB Pumps Limited)
Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai- 400080

Dear Sir / Madam,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good Corporate Governance practice by KSB Limited (hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minutes Books, Forms and Returns filed with regulatory authorities and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended 31st December, 2019, substantially complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to reporting made hereinafter:

We herewith report that maintenance of proper and updated Books, Papers, Minutes Books, filing of Forms and Returns with applicable regulatory authorities and maintaining other records is responsibility of management and of the Company. Our responsibility is to verify the content of the documents produced before us, make objective evaluation of the content in respect of compliance and report thereon. We have examined on test check basis, the books, papers, minute books, forms and returns filed and other records maintained by the Company and produced before us for the financial year ended 31st December, 2019, as per the provisions of:

- (i) The Companies Act, 2013 and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder as amended from time to time;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under, of Foreign Direct Investment (FDI), Overseas Direct Investment (ODI) and External Commercial Borrowings (ECB), to the extent to which the same was applicable to the Company;

ANNEXURE TO BOARD'S REPORT (Contd.)

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client;
 - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.
- (vi) Considering activities of the Company, there is no specific regulator / law subject to whose approval the company can carry on / continue business operation and hence no comment is invited in respect of the same. We have also in-principally verified systems and mechanism which is in place and the system driven Legal Compliance System established in the Company and followed by the Company which tracks compliances and generates necessary certificates and ensures Compliance of other applicable Laws like Labour Laws, Environmental Law, Legal Metrology Act etc (in addition to the above mentioned Laws (i to v) and applicable to the Company) and we have also relied on the representation made by the Company and its Officers in respect of systems and mechanism formed / followed by the Company for compliances of other applicable Acts, Laws and Regulations and found the satisfactory operation of the same.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standard issued by the Institute of Company Secretaries of India;
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We further Report that, during the year, it was not mandatory on the part of the Company to comply with the following Regulations / Guidelines:

- (a) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (c) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998;
- (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

Based on aforesaid information provided by the Company, we report that during the financial year under report, save and except, few lapses in compliance of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, separate reply to the Secretarial Auditor's Comment in Director's Report as per Section 134 of the Companies Act, 2013 and the

ANNEXURE TO BOARD'S REPORT (Contd.)

rules made there under, quantifying of threshold for entering Related Party Transaction, the Company has generally complied with the provisions of the above mentioned Act/s including the applicable provisions of the Companies Act, 2013 and Rules, Regulations, Standards etc. mentioned above and we have not found material observation / instances of material non-Compliance in respect of the same.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.

We also report that adequate notice was given to all Directors to schedule the Board Meetings and necessary compliances as envisaged in the Secretarial Standard was generally carried out in respect of holding of Board Meeting. The agenda along with detailed notes to agenda were generally sent at least 7 days in advance and a reasonable system exists for Board Members to seek and obtain further information and clarifications on the agenda items before the meeting and for meaningful participation at the meetings.

It is noted that majority decision is carried through and proper system is in place which facilitates / ensure to capture and record, the dissenting member's views, if any, as part of the Minutes.

Based on representation made by the Company and its Officers explaining us in respect of internal systems and mechanism established by the Company which ensures compliances of other Acts, Laws and Regulations applicable to the Company, we report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules and regulations.

We further report that during the year under report, the Company has not undertaken any corporate action having a major bearing on the Company's affairs in pursuance of aforesaid laws, rules and regulations, guidelines, standards etc as mentioned above. However, after the closure of the Financial Year, the Management of the Company has identified an employee guilty of committing fraud by accepting kickbacks / money from vendors with total monetary impact of approximately ₹ 1.14 Crore. On discovery of the same, the Company has immediately reported to the Stock Exchange the fact of fraud in due compliance of the provision of the listing regulation and thereafter as explained to us the Company has strengthened the existing controls and also implemented additional controls to mitigate such fraud risk in future.

For Nilesh Shah & Associates

Company Secretaries

Hetal Shah

Partner (FCS: 8063) C.P. No. : 8964

UDIN: F008063A000576697

Mumbai, 27th February, 2020

Note : This Report has to be read with "Annexure - A"

ANNEXURE TO BOARD'S REPORT (Contd.)

'ANNEXURE A'

To,
The Members,
KSB LIMITED
(Formerly known as KSB Pumps Limited)
Office No. 601, Runwal R-Square,
L.B.S. Marg, Mulund (West),
Mumbai- 400080

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis (by verifying records made available to us) to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained Management representation about the compliance of laws, rules and regulations and occurrence of events.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is responsibility of management. Our examination was limited to the verification of process followed by Company to ensure adequate Compliance.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For Nilesh Shah & Associates
Company Secretaries
Hetal Shah
Partner (FCS: 8063) C.P. No. : 8964
UDIN: F008063A000576697

Mumbai, 27th February, 2020

ANNEXURE TO BOARD'S REPORT (Contd.)

ANNEXURE VIII TO BOARD'S REPORT

A. CONSERVATION OF ENERGY

In continuous endeavor to conserve energy, the Company has taken steps to introduce Variable Frequency Drive for pump testing. This will enable the tuning of power requirement as per need in the testing area. Company's new plant at Shirwal is equipped with LED light fittings thereby optimizing energy usage.

B. TECHNOLOGY ABSORPTION

1. Performance and Product Improvements

The Company has taken efforts to optimize various hydraulics of multistage engineered pumps. Leak proof motor concept is implemented for submersible range of products. For Industrial products, the Company has applied casting technology improvement program which has lead to lower casting consumption and help environment conservation.

2. Research and Development

The Company continues to strengthen the Submersible range of stainless steel sheet metal pump and motor for Solar market. Looking at the water transportation need in India, the Company has developed a light weight efficient pump series for water handling.

3. Benefits of Research and Development

The new pump range for Flue Gas Desulphurisation ("FGD") in Energy Sector is developed thus making Company the very first Indian pump Company to indigenize this specialized pump technology. Due to focus on localization via Research and development, the Company has reduced import dependence.

4. Future Plans

The Company plans to strengthen product range in water and waste water segments to meet the needs to these sectors. Looking at growing need to oil and gas, the Company considers to strengthen its products for this sector.

5. Expenditure on Research and Development

The recurring expenditure during the year amounted to ₹ 5.45 Million (previous year ₹ 2.78 Million) and it is 0.04% (previous year 0.03%) of the total turnover. There is no capital expenditure during the year under review and previous year.

6. Technology Absorption, Adaptation and Innovation

The localization program in the Company has resulted in adding products in the local manufacturing, thereby reducing import content and saving foreign exchange. The Company has started to localize special lining technology for FGD pumps. The Company also introduced special controller for building services market. On the submersible market, the Company designed and launched products with leak proof concept, oil filled motors, deep well electromechanical pumps.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were ₹ 1,521 Million. Total foreign exchange earned during the year was ₹ 2,242.60 Million. Export orders outstanding for execution are ₹ 1,425 Million. Total foreign exchange used during the year was ₹ 1,149 Million.

On behalf of the Board of Directors
G. Swarup
Chairman

Mumbai, 27th February, 2020

ANNEXURE TO BOARD'S REPORT (Contd.)

ANNEXURE IX TO BOARD'S REPORT

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:**

The CSR Policy of the Company contains the activities that can be undertaken by the Company for CSR, composition of CSR Committee, details of existing charitable trust, annual allocation for CSR activities, areas of CSR projects, criteria for selection of CSR projects, modalities of execution/implementation of CSR activities and the monitoring mechanism of CSR activities/ projects. The CSR Policy is hosted on the Company's website at: www.ksbindia.co.in

2. **Composition of CSR Committee:**

Mr. D. N. Damania (Chairman)

Mr. G. Swarup

Mr. Rajeev Jain

3. **Average net profit before tax of the company for last three financial years: ₹ 1,087.67 Million**

4. **Prescribed CSR Expenditure (two per cent of the amount as above): ₹ 20.96 Million**

5. **Details of CSR spent during the financial year:**

(a) Total amount spent for the financial year: ₹ 20.96 Million has been contributed to KSB Care Charitable Trust.

(b) Amount unspent: Nil

(c) Details of CSR projects/activities approved by the Trust and CSR Committee are given below:

S. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken (refer note 1)	Amount outlay (budget) project or programs wise (₹ in Million)
1	Support for destitute children	Destitute care and rehabilitation	Pune, Maharashtra	1.70
2	Support for children of socially backward women	Children rehabilitation	Pune, Maharashtra	0.60
3	Support for education of children from economically backward areas/ orphans	Education	Pune and Sinnar, Maharashtra, and Coimbatore, Tamil Nadu	2.84
4	Support for recreational and cultural centre and training / education/ for mentally/ physically challenged children	Promoting differently abled children	Pune, Maharashtra and Coimbatore, Tamil Nadu	4.00
5	Support for old age home	Destitute care	Pune, Maharashtra	4.27

ANNEXURE TO BOARD'S REPORT (Contd.)

S. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken (refer note 1)	Amount outlay (budget) project or programs wise (₹ in Million)
6	Support for providing primary medical facilities	Healthcare	Pune and Nashik, Maharashtra	2.08
7	Providing vocational skills for livelihood of women from rural areas	Employment	Pune and Nashik, Maharashtra	1.99
8	Providing bus shelters and developing green gym for	Rural development	Nashik and Coimbatore	2.55
9	Administrative overheads	-	-	1.00
	Total			21.03

Notes:

- i. The programs and projects identified are in and around manufacturing locations of the Company.
- ii. The Company spends the amounts allocated for CSR activities through its implementing agency KSB Care Charitable Trust. The trustees and the CSR committee approves the projects identified. The above projects/activities undertaken during the year 2019 are from the contribution, which the company made during the year 2018. Similarly, the contribution which has been made in 2019 will be spent for the projects to be approved in 2020. The said trust spends the amount on CSR activities as per the specific instructions given by the CSR Committee over a specified time frame.
- iii. For the amount spent on the projects or programmes (direct expenditure/overheads), cumulative expenditure upto the reporting period and amount spent (direct or through implementing agency) refer Note 2 above.
6. **In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: NA**
7. **A responsibility statement of the CSR Committee:** The Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

On behalf of the Board of Directors

Rajeev Jain
Managing Director

D. N. Damania
Chairman of CSR Committee

Mumbai, 27th February, 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KSB LIMITED
(formerly known as KSB Pumps Limited)

Report on the audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of KSB Limited (formerly known as KSB Pumps Limited) ("the Company"), which comprise the Balance Sheet as at December 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2019, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Appropriateness of Revenue Recognition in accordance with Ind AS 115</p> <p>(Refer to Note 1(d), 2(ii), 19 and 39 to the standalone financial statements)</p> <p>The Company has adopted, Ind AS 115 "Revenue from Contracts with Customers" with effect from January 1, 2019 and accordingly, has reviewed its existing contracts with customers to assess the impact of initial application and recognition of the same in the opening Retained Earnings on the date of transition and application of the Ind AS throughout the year.</p> <p>In carrying out the aforesaid assessment, significant judgement has been applied by the management with respect to:</p> <ul style="list-style-type: none"> • Combining of multiple contracts as single contract. 	<p>Our audit procedures included the following :</p> <ul style="list-style-type: none"> • Understanding and evaluation of the design and testing the operating effectiveness of controls surrounding the implementation and recording adjustments arising from the adoption of Ind AS 115. • Reading the terms of a sample of customer contracts for identification of performance obligations in accordance with the Ind AS 115 and comparing those to the management assessment; • Assessing appropriateness of management's judgements and estimates involved in accounting for the sample of customer contracts including the inquiry and discussion with appropriate client personnel especially regarding the nature of products and alternative use to the company.

INDEPENDENT AUDITORS' REPORT (Contd.)

<ul style="list-style-type: none"> • Identification of distinct performance obligations; • Allocation of consideration to identified performance obligations; • Determination of timing of recognition of revenue either over a period of time or at a point in time on transfer of control to customers. This include assessment of alternative use basis technical analysis as well as legal assessment of right to payment. <p>The transition to and application of Ind AS 115 has been considered as a Key Audit Matter due to significant management judgement involved. In addition, disclosures required under Ind AS 115 have also been identified as an area of focus for audit in the current year.</p>	<ul style="list-style-type: none"> • Evaluation of the in-house legal counsel's views regarding the Company's right to payment for performance to date ; • Testing the appropriateness of timing of recognition of revenue (including procedures related to cut off) in line with the terms of the customer contracts; • Testing the key assumptions used by the management to estimate contract risks, claims, liquidated damages etc.; • Verifying the reports used by management for monitoring contracts and their progress; • Testing of journal entries for unusual/irregular revenue transactions; • Evaluating appropriateness of the disclosures provided in the financial statements. <p>Based on above procedures, we did not identify any significant exceptions in the judgements applied by the management in recognition of revenue in accordance with Ind AS 115.</p>
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Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the standalone financial statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act

with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

7. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

INDEPENDENT AUDITORS' REPORT (Contd.)

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
9. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
 - (a) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
 - (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - (e) Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the

INDEPENDENT AUDITORS' REPORT (Contd.)

current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
14. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on December 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact, if any, of pending litigations as at December 31, 2019 on its financial position in its standalone financial statements - Refer Note 17(b), 30(a) and 30(b) to the standalone financial statements.
 - ii. The Company has made provision as at December 31, 2019, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 6 and 35(c) to the standalone financial statements.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended December 31, 2019.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended December 31, 2019.
15. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
- Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACJ3710
- Mumbai, February 27, 2020

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of KSB Limited (formerly known as KSB Pumps Limited) on the standalone financial statements for the year ended December 31, 2019.

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of KSB Limited (formerly known as KSB Pumps Limited) ("the Company") as of December 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance

with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to fraud or error may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal

financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACJ3710

Mumbai, February 27, 2020

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of KSB Limited (formerly known as KSB Pumps Limited) on the standalone financial statements as of and for the year ended December 31, 2019.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 3- Property, plant and equipment to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory excluding stocks with third parties managed warehouse have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(ii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of employees' state insurance, though there has been a slight delay in a few cases and is regular in depositing undisputed statutory dues, including provident fund, sales tax, income tax, service tax, duty of customs, duty of excise, value added tax, cess goods and service tax with effect from July 1, 2017 and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, goods and service-tax, duty of customs, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, service tax, duty of excise, as at December 31, 2019 which have not been deposited on account of a dispute, are as follows:

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

Name of the statute	Nature of dues	Amount (INR in million)	Amount paid under protest (INR in million)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty (including interest and penalty if applicable)	24.33	4.60	Dec-98 to Dec-04	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Service Tax (including interest and penalty if applicable)	1.74	1.04	April-08 to Mar-13	
		451.74	9.49	Sept-04 to Mar-09	
Income Tax Act, 1961	Income Tax (including interest and penalty if applicable)	3.60	-	AY 1989-90	High Court / Commissioner of Income-tax (Appeals) CIT(A) / Income Tax Tribunal (ITAT)
		5.61	-	AY 1995-96	
		2.88	-	AY 1996-97	
		10.61	-	AY 2009-10	
		5.70	-	AY 2010-11	
		3.21	-	AY 2005-06	
		17.93	-	AY 2011-12	
		27.00	-	AY 2012-13	
		34.32	-	AY 2013-14	
		55.71	-	AY 2014-15	
		31.76	-	AY 2015-16	

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date. The Company had not issued any debentures as at balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for an instance of fraud on the Company by an employee of the Company whose has been suspended and for which the Management has taken steps as described in the Note 37 to the standalone financial statements, we have neither come across any other instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our standalone audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

- of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3 (xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACJ3710

Mumbai, February 27, 2020

Balance Sheet as at December 31, 2019

(All amounts in INR million, unless otherwise stated)

Particulars	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
I. Non-current assets			
Property, plant and equipment	3	3,056.74	3,191.94
Capital work-in-progress	3	344.90	41.38
Intangible assets	4	16.11	18.66
Financial assets			
(a) Investments	5 (a)	63.15	63.15
(b) Loans	5 (b)	80.97	67.87
(c) Trade receivables	6	130.89	99.34
Assets for current tax (net)		155.48	141.49
Deferred tax assets (net)	12 (a)	119.24	161.37
Other non-current assets	10	40.57	210.96
Total non-current assets		4,008.05	3,996.16
II. Current assets			
Inventories	9	3,248.43	3,030.23
Financial assets			
(a) Trade receivables	6	2,961.79	2,907.15
(b) Cash and cash equivalents	7 (a)	483.51	119.81
(c) Bank balances other than (b) above	7 (b)	2,416.50	1,262.58
(d) Loans	5 (b)	21.55	11.98
(e) Other financial assets	8	105.63	48.10
Other current assets	11	632.84	678.34
Total current assets		9,870.25	8,058.19
Total Assets		13,878.30	12,054.35
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	13 (a)	348.08	348.08
Other equity	13 (b)	7,459.06	6,784.47
Total Equity		7,807.14	7,132.55
LIABILITIES			
I. Non-current liabilities			
Provisions	17 (a)	424.40	365.79
Total non-current liabilities		424.40	365.79
II. Current liabilities			
Financial liabilities			
(a) Borrowings	14	600.00	434.26
(b) Trade payables	15		
- Total outstanding dues of micro enterprises and small enterprises		12.24	21.30
- Total outstanding dues of creditors other than micro enterprises and small enterprises		2,543.05	2,155.73
(c) Other financial liabilities	16	703.12	546.17
Other current liabilities	18	1,323.36	971.34
Provisions	17 (b)	451.62	412.02
Current tax liabilities (net)		13.37	15.19
Total current liabilities		5,646.76	4,556.01
Total Liabilities		6,071.16	4,921.80
Total Equity and Liabilities		13,878.30	12,054.35

Summary of significant accounting policies 1

The accompanying notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

For and on behalf of the Board of Directors

Neeraj Sharma
Partner
Membership No.: 108391

Milind Khadilkar
Chief Financial Officer

G. Swarup
Chairman
(DIN : 00374298)

Mahesh Bhav
Company Secretary

D. N. Damania
Director
(DIN : 00403834)

Mumbai, February 27, 2020

Mumbai, February 27, 2020

Rajeev Jain
Managing Director
(DIN : 07475640)

Statement of Profit and Loss for the year ended December 31, 2019

(All amounts are in INR million, unless otherwise stated)

Particulars	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Income			
Revenue from operations	19	12,939.08	10,930.66
Other income	20	256.31	267.10
Total Income		13,195.39	11,197.76
Expenses			
Cost of materials consumed	21	6,015.78	5,203.55
Purchases of stock-in-trade	22	1,062.39	783.68
Changes in inventories of finished goods, stock-in-trade and work-in-progress	23	(95.11)	(336.54)
Employee benefit expense	24	1,778.89	1,539.66
Finance costs	25	53.12	37.49
Depreciation and amortisation expense	26	457.23	396.67
Other expenses	27	2,674.70	2,456.52
Total Expenses		11,947.00	10,081.03
Profit before exceptional item and tax		1,248.39	1,116.73
Exceptional item	28	127.42	-
Profit before tax		1,375.81	1,116.73
Income tax expense			
Current tax	12 (b)	337.72	367.40
Deferred tax	12 (a)	59.84	9.07
Total tax expense		397.56	376.47
Profit for the year		978.25	740.26
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	31	(70.27)	15.28
Income tax relating to items that will not be reclassified to profit or loss	12 (a)	17.71	(5.34)
Total other comprehensive income for the year, net of tax		(52.56)	9.94
Total comprehensive income for the year		925.69	750.20
Earnings per equity share			
Basic and Diluted (face value of Rs.10/- each)	29	28.10	21.27

Summary of significant accounting policies 1

The accompanying notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership No.: 108391

Mumbai, February 27, 2020

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

Mahesh Bhawe
Company Secretary

Mumbai, February 27, 2020

G. Swarup
Chairman
(DIN : 00374298)

D. N. Damania
Director
(DIN : 00403834)

Rajeev Jain
Managing Director
(DIN : 07475640)

Statement of Changes in Equity for the year ended December 31, 2019

(All amounts are in INR million, unless otherwise stated)

A. Equity share capital

	Notes	
As at January 1, 2018		348.08
Change in equity share capital	13 (a)	-
As at December 31, 2018		348.08
Change in equity share capital	13 (a)	-
As at December 31, 2019		348.08

B. Other Equity

	Capital reserve	Capital redemption reserve	Securities premium	General reserve	Amalgamation reserve	Retained earnings	Total
As at January 1, 2018	0.09	0.10	3.20	1,085.08	0.06	5,188.68	6,277.21
Profit for the year	-	-	-	-	-	740.26	740.26
Other Comprehensive Income							
Remeasurement of post employment benefit obligations (net of tax)	-	-	-	-	-	9.94	9.94
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(208.85)	(208.85)
Tax on Dividend	-	-	-	-	-	(34.09)	(34.09)
As at December 31, 2018	0.09	0.10	3.20	1,085.08	0.06	5,695.94	6,784.47
As at January 1, 2019	0.09	0.10	3.20	1,085.08	0.06	5,695.94	6,784.47
Profit for the year	-	-	-	-	-	978.25	978.25
Other Comprehensive Income							
Remeasurement of post employment benefit obligations (net of tax)	-	-	-	-	-	(52.56)	52.56
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(208.85)	(208.85)
Tax on Dividend	-	-	-	-	-	(42.25)	(42.25)
As at December 31, 2019	0.09	0.10	3.20	1,085.08	0.06	6,370.53	7,459.06

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

This is the Statement of Changes in Equity referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership No.: 108391

Mumbai, February 27, 2020

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

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(DIN : 00403834)

Rajeev Jain
Managing Director
(DIN : 07475640)

Mumbai, February 27, 2020

Statement of Cash Flows for the year ended December 31, 2019

(All amounts are in INR million, unless otherwise stated)

Particulars	Year ended December 31, 2019	Year ended December 31, 2018
A. Cash flows from operating activities		
Profit before tax	1,375.81	1,116.73
Adjustments for :		
Depreciation and amortisation expense	457.23	396.67
Net gain on disposal of property, plant and equipment [Refer note (ii) below]	(128.02)	(4.85)
Finance costs	53.12	37.49
Interest income	(128.60)	(95.15)
Dividend from investment in associate	(21.68)	(26.09)
Dividend from investment in subsidiary	(3.30)	(43.00)
Mark to market (gain) / loss on derivative contracts	9.60	(5.13)
Sundry credit balances and provisions no longer required, written back	(29.59)	(60.90)
Unrealised exchange (gain) / loss	(21.09)	9.51
Allowance for doubtful receivables	(7.26)	(9.00)
	<u>180.41</u>	<u>199.55</u>
Operating profit before working capital changes	1,556.22	1,316.28
Adjustment for changes in working capital:		
(Increase) / decrease in operating assets:		
Inventories	(218.20)	(553.86)
Trade receivables	(56.94)	(385.57)
Loans	(22.67)	4.29
Other assets	226.32	(115.54)
Increase / (decrease) in operating liabilities:		
Trade payables	404.99	456.80
Other financial liabilities	105.61	75.50
Other liabilities	351.73	458.34
Provisions	27.94	(71.55)
	<u>818.78</u>	<u>(131.59)</u>
Cash generated from operations	2,375.00	1184.69
Income taxes paid	(353.53)	(408.90)
Net cash flows generated from operating activities (A)	<u>2,021.47</u>	<u>775.79</u>

Statement of Cash Flows for the year ended December 31, 2019 (Contd.)

(All amounts in INR million, unless otherwise stated)

Particulars	Year ended December 31, 2019	Year ended December 31, 2018
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(586.56)	(425.44)
Proceeds from disposal of property, plant and equipment	131.20	6.81
Bank balances not considered as cash and cash equivalents	(1,153.92)	(583.02)
Interest received	63.06	72.11
Dividend from investment in associate	21.68	26.09
Dividend from investment in subsidiary	3.30	43.00
Net cash flows used in investing activities (B)	(1,521.24)	(860.45)
C. Cash flows from financing activities		
Increase in working capital borrowings	165.74	307.92
Finance costs	(53.12)	(37.49)
Dividends paid	(209.15)	(210.12)
Tax on dividend	(42.25)	(34.09)
Net cash flows generated from / (used in) financing activities (C)	(138.78)	26.22
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	361.45	(58.44)
Cash and cash equivalents at the beginning of the year	119.81	178.21
Effects of exchange rate changes on cash and cash equivalents	2.25	0.04
Cash and cash equivalents at the end of the year	<u>483.51</u>	<u>119.81</u>
Cash and cash equivalents at the end of the year include:	As at	As at
	December 31, 2019	December 31, 2018
(a) Cash on hand	0.67	0.47
(b) Balances with banks	482.84	119.34
Cash and cash equivalents at the end of the year [Refer note 7 (a)]	<u>483.51</u>	<u>119.81</u>

Notes:

- (i) Statement of Cash Flows has been prepared under the 'Indirect Method' in accordance with 'Ind AS 7 : Statement of Cash Flows'.
- (ii) Net gain on disposal of property, plant and equipment for the year ended December 31, 2019 includes gain of ₹ 127.42 million arising from sale of office property located at Mumbai.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

This is the Statement of Cash Flows referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

G. Swarup
Chairman
(DIN : 00374298)

Neeraj Sharma
Partner
Membership No.: 108391

Mahesh Bhawe
Company Secretary

D. N. Damania
Director
(DIN : 00403834)

Mumbai, February 27, 2020

Mumbai, February 27, 2020

Rajeev Jain
Managing Director
(DIN : 07475640)

Notes forming part of the financial statements

(All amounts are in INR million, unless otherwise stated)

	<p>Background:</p> <p>KSB Limited (formerly known as KSB Pumps Limited) (the ‘Company’) is a public limited Company domiciled in India with its registered office located at Office No. 601, Runwal R-Square, L.B.S Marg, Mulund (West), Mumbai – 400 080. The Company is listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). 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. CIN of the Company is L29120MH1960PLC011635.</p> <p>The standalone financial statements have been authorized for issue by the Board of Directors on February 27, 2020.</p>
1.	<p>Significant accounting policies:</p> <p>This note provides a list of the significant accounting policies adopted in the preparation of these standalone financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.</p>
(a)	<p>Basis of preparation</p> <p>(i) Compliance with Ind AS</p> <p>The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.</p> <p>(ii) Historical cost convention</p> <p>The financial statements have been prepared on a historical cost basis, except for the following:</p> <ul style="list-style-type: none"> • Certain financial assets and liabilities (including derivative instruments) that are measured at fair value • Defined benefit plans — plan assets measured at fair value; and <p>All assets and liabilities have been classified as current or non-current as per the Company’s operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.</p>
(b)	<p>Segment reporting</p> <p>Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Company’s board of directors. Refer note 33 for segment information presented.</p>
(c)	<p>Foreign currency translation</p> <p>(i) Functional and presentation currency</p> <p>Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in Indian rupee (INR), which is the Company’s functional and presentation currency.</p> <p>(ii) Transactions and balances</p> <p>Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in profit and loss and are presented in the Statement of Profit and Loss on a net basis.</p>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

(d)	<p>Revenue recognition</p> <p>Ind AS 115 Revenue from contracts with customers has been issued with effect from April 1, 2018. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.</p> <p>A new five-step process must be applied before revenue can be recognised:</p> <ul style="list-style-type: none">(i) identify contracts with customers(ii) identify the separate performance obligation(iii) determine the transaction price of the contract(iv) allocate the transaction price to each of the separate performance obligations, and(v) recognise the revenue as each performance obligation is satisfied. <p>(i) Revenue from sale of goods</p> <p>The Company accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.</p> <p>Company generate revenue from sale of Pumps, valves and related support services. The Company may promise to provide distinct goods or services within a contract, for example when a contract covers multiple promises (e.g., supply of pumps, motors and spares), in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.</p> <p>The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:</p> <ul style="list-style-type: none">(a) The customer simultaneously consumes the benefits as the Company performs, or(b) The customer controls the work-in-progress, or(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date <p>If none of the criteria above are met, the Company recognizes revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.</p> <p>The Company uses input method to measure the progress for contracts because it best depicts the transfer of control to the customer which occurs as it incurs costs on contracts. Under the input method measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.</p> <p>Due to the nature of the work required to be performed on performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. It is common for project contracts to contain penalties, bonuses or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion.</p>
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Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

	<p>The Company estimates variable consideration using expected value method of probability-weighted values at an amount to which it expects to be entitled. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.</p> <p>Contracts are modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.</p> <p>When estimates of total costs to be incurred exceed total estimates of revenue to be earned on a performance obligation related to a contract, a provision for the entire loss on the performance obligation is recognized in the period.</p> <p>Revenue recognised at a point-in-time</p> <p>For sale of products, revenue is recognised at point in time when control of goods is transferred to the customer - based on delivery terms, payment terms, customer acceptance and other indicators of control as mentioned above.</p> <p>Revenue from services is recognised in the accounting period in which the services are rendered.</p> <p>(ii) Other operating revenue</p> <p>Revenue comprising of income from ancillary activities incidental to the operations of the Company is recognized when the right to receive the income is established as per the terms of the contract. Revenue from export incentives majorly comprises of duty drawback and MEIS incentives which are recognised on an accrual basis at specified rates.</p> <p>(iii) Other Income</p> <p>Interest income</p> <p>Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the Statement of Profit and Loss.</p> <p>Dividends</p> <p>Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.</p> <p>(e) Income tax</p> <p>The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.</p> <p>The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.</p> <p>Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Standalone financial statements. Deferred</p>
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Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

	<p>income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.</p> <p>Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.</p> <p>Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.</p> <p>Current and deferred tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.</p>
(f)	<p>Government Grants</p> <p>Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.</p> <p>When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.</p> <p>The Company accounts for the interest paid at concessional rate on packing credit facility availed for export of goods.</p>
(g)	<p>Leases</p> <p>As a lessee</p> <p>Leases of property, plant and equipment, where the Company, as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are recognized 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> <p>Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of Profit and Loss on a straight-line basis over the period of the lease, unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase.</p>
(h)	<p>Impairment of assets</p> <p>The management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. If an asset is impaired, the Company recognises an impairment loss as the excess of the carrying amount of the asset over the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.</p>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(i)	<p>Cash and cash equivalents</p> <p>For the purpose of presentation in the Statement of Cash Flows, Cash and cash equivalents include Cash on hand and Demand deposits with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in Current liabilities in the balance sheet.</p>
(j)	<p>Trade receivables</p> <p>Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.</p>
(k)	<p>Borrowing costs</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>
(l)	<p>Inventories</p> <p>Inventories are stated at 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. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.</p>
(m)	<p>Financial assets</p> <p>(i) Classification</p> <p>The Company classifies its financial assets in the following measurement categories:</p> <ul style="list-style-type: none"> • those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and • those measured at amortised cost. <p>The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.</p> <p>For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.</p> <p>The Company reclassifies debt investments when and only when its business model for managing those assets changes.</p> <p>(ii) Measurement</p> <p>At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss.</p> <p>Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.</p> <p>Debt instruments</p> <p>Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments as follows:</p>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

	<ul style="list-style-type: none"> Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method. <p>Equity instruments</p> <p>The Company subsequently measures equity investment at fair value. The Company's Management elects to present fair value gains and losses on equity investments in other comprehensive income on an instrument by instrument basis.</p> <p>(iii) Impairment of financial assets</p> <p>The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer note 35(A) for details of credit risk.</p> <p>For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.</p> <p>(iv) Derecognition of financial assets</p> <p>A financial asset is derecognised only when</p> <ul style="list-style-type: none"> The Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. <p>Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised. Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.</p> <p>(n) Derivatives</p> <p>The Company enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss.</p> <p>(o) Offsetting financial instruments</p> <p>Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.</p> <p>(p) Property, plant and equipment</p> <p>Freehold land is stated at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.</p> <p>Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss</p>
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Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

	<p>during the reporting period in which they are incurred.</p> <p>Depreciation methods, estimated useful lives and residual value</p> <p>Depreciation is provided on the straight-line method/ written down value method over the useful lives of assets which has been assessed as under the technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, maintenance support, etc., which are different from those prescribed in Schedule II to the Companies Act, 2013 (Act) except for server and networking (SLM) and furniture and fixtures (WDV) which are same as prescribed in Schedule II to the Act. Estimated useful lives of assets are as follows:</p> <table border="0"> <thead> <tr> <th>Asset</th> <th>Useful life</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>43 to 90 years (WDV)</td> </tr> <tr> <td>Plant and machinery</td> <td>09 to 21 years (SLM)</td> </tr> <tr> <td>Vehicles</td> <td>05 to 11 years (WDV)</td> </tr> <tr> <td>Office equipments</td> <td>10 years (SLM)</td> </tr> <tr> <td>Computer equipments</td> <td>06 years (SLM)</td> </tr> </tbody> </table> <p>The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. Leasehold land and assets taken on lease are amortized over the period of the lease.</p> <p>The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of the reporting period.</p> <p>An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.</p> <p>Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/ other expenses respectively.</p>	Asset	Useful life	Buildings	43 to 90 years (WDV)	Plant and machinery	09 to 21 years (SLM)	Vehicles	05 to 11 years (WDV)	Office equipments	10 years (SLM)	Computer equipments	06 years (SLM)
Asset	Useful life												
Buildings	43 to 90 years (WDV)												
Plant and machinery	09 to 21 years (SLM)												
Vehicles	05 to 11 years (WDV)												
Office equipments	10 years (SLM)												
Computer equipments	06 years (SLM)												
(q)	<p>Intangible assets</p> <p>Intangible assets are stated at acquisition cost net of tax/ duty credits availed, if any, and net of accumulated amortisation. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss. Intangible assets are amortized on the straight line method as follows:</p> <table border="0"> <thead> <tr> <th>Asset</th> <th>Useful life</th> </tr> </thead> <tbody> <tr> <td>Rights, techniques, process</td> <td>7 to 10 years</td> </tr> <tr> <td>Software</td> <td>3 years</td> </tr> </tbody> </table>	Asset	Useful life	Rights, techniques, process	7 to 10 years	Software	3 years						
Asset	Useful life												
Rights, techniques, process	7 to 10 years												
Software	3 years												
(r)	<p>Trade and other payables</p> <p>These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are unsecured and are presented as current liabilities unless payment is not due within operating cycle determined by the Company after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.</p>												
(s)	<p>Provisions and Contingent liabilities</p> <p>Provisions are recognised when the Company has a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on the best estimate required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. Provisions are not recognised for future operating losses.</p>												

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

	<p>Provision for warranty is computed as a percentage of sales based on the past trends observed.</p> <p>Contingent liabilities are disclosed by way of a note to the Standalone financial statements when there is a possible obligation arising from past events, 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 a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.</p>
(t)	<p>Employee benefits</p> <p>(i) Short-term obligations</p> <p>Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.</p> <p>(ii) Other long-term employee benefit obligations</p> <p>The liabilities for privileged leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.</p> <p>(iii) Post-employment obligations</p> <p>The Company operates the following post-employment schemes:</p> <p>(a) Defined benefit plans – gratuity and superannuation</p> <p>(b) Defined contribution plans - provident fund</p> <p>(a) Gratuity</p> <p>The Company provides for gratuity, a defined benefit plan (the “Gratuity Plan”) covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee’s salary and the tenure of employment.</p> <p>The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.</p> <p>The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.</p> <p>The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance cost in the Statement of Profit and Loss.</p> <p>Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet.</p> <p>Changes in the present value of the defined benefit obligation resulting from plan amendments or</p>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

	<p>curtailments are recognised immediately in profit or loss as past service cost.</p> <p>(b) Superannuation Superannuation is a benefit to certain employees (depending on the grade/ category of the employee and completed years of service) per month for each completed year of service.</p> <p>Defined Contribution Plans The Company pays provident fund contributions for all employees to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.</p>
(u)	<p>Contributed equity Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.</p>
(v)	<p>Earnings per share</p> <p>(i) Basic Earnings per share Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the financial year. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.</p> <p>(ii) Diluted Earnings per share For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.</p>
(w)	<p>Rounding of amounts: All amounts disclosed in the Standalone financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated.</p>
2.	<p>Significant accounting judgements, estimates and assumptions The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.</p> <p>Judgements In the process of applying the Company's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:</p> <p>i. Legal contingencies The Company has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Company or the disclosure of</p>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

	<p>any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.</p>
ii.	<p>Revenue from Contract with customers</p> <p>Company generate revenue from sale of Pumps, valves and related support services. Company uses judgement with respect to accounting of multiple contracts which need to be combined and considered as single contract. The Company exercises judgement with respect to identifying contracts for which revenue need to be recognised point in time or over a period of time, depending upon when customer consumes the benefit, when the control is passed to customer, whether asset created has an alternative use and whether the Company has right to payment for performance completed till date, either contractually or legally.</p> <p>Estimates and assumptions</p> <p>The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.</p>
i.	<p>Warranty</p> <p>The Company generally offers an 18 months warranty for its products. Warranty costs are determined as a percentage of sales based on the past trends of the costs required to be incurred for repairs, replacements, material costs and servicing cost. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. As the time value of money is not considered to be material, warranty provisions are not discounted. Refer note 17 for further information.</p>
ii.	<p>Gratuity</p> <p>The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2012-14) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. For further details about gratuity obligations are given in note 31.</p>
iii.	<p>Recoverability of trade receivables</p> <p>Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment. Refer note 35 A for further details.</p>
iv.	<p>Inventories</p> <p>An inventory provision is recognized for cases where the realizable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sale prices of inventory item and losses associated with obsolete / slow moving / redundant inventory items. The Company has, based on these assessments, made adequate provision in</p>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

3 Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Development of property	Total	Capital work-in-progress
Gross carrying amount as at										
January 1, 2018	3.01	265.15	1,455.51	3,958.33	105.06	70.17	128.63	0.04	5,985.90	40.92
Additions	-	-	237.03	221.74	19.73	11.27	25.84	-	515.61	0.46
Disposals	-	-	-	(50.16)	(0.02)	(12.08)	(1.74)	-	(64.00)	-
Gross carrying amount as at	3.01	265.15	1,692.54	4,129.91	124.77	69.36	152.73	0.04	6,437.51	41.38
December 31, 2018	-	8.58	438.78	2,266.85	90.38	45.50	72.27	0.04	2,922.40	-
Accumulated depreciation	-	2.81	101.40	252.93	7.42	10.98	9.67	-	385.21	-
Charge for the year	-	-	-	(49.06)	(0.02)	(11.58)	(1.38)	-	(62.04)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation as at December 31, 2018	-	11.39	540.18	2,470.72	97.78	44.90	80.56	0.04	3,245.57	-
Net carrying amount as at	3.01	253.76	1,152.36	1,659.19	26.99	24.46	72.17	-	3,191.94	41.38
December 31, 2018										
	Freehold land	Leasehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Development of property	Total	Capital work-in-progress
Gross carrying amount as at										
January 1, 2019	3.01	265.15	1,692.54	4,129.91	124.77	69.36	152.73	0.04	6,437.51	41.38
Additions	-	-	80.37	192.06	9.75	14.77	15.11	-	312.06	303.52
Disposals	-	-	(1.86)	(38.52)	(0.93)	(14.67)	(1.45)	-	(57.43)	-
Gross carrying amount as at	3.01	265.15	1,771.05	4,283.45	133.59	69.46	166.39	0.04	6,692.14	344.90
December 31, 2019	-	11.39	540.18	2,470.72	97.78	44.90	80.56	0.04	3,245.57	-
Accumulated depreciation	-	2.81	116.83	245.39	12.35	14.10	12.20	-	403.68	-
Charge for the year	-	-	-	40.40	-	-	-	-	40.40	-
Impairment loss[Refer note(iii) below]	-	-	(1.63)	(36.39)	(0.93)	(13.95)	(1.35)	-	(54.25)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation as at December 31, 2019	-	14.20	655.38	2,720.12	109.20	45.05	91.41	0.04	3,635.40	-
Net carrying amount as at	3.01	250.95	1,115.67	1,563.33	24.39	24.41	74.98	-	3,056.74	344.90
December 31, 2019										

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

- i. Refer to note 30 (c) for disclosure of contractual commitments for the acquisition of property, plant and equipment.
- ii. Leasehold land mainly pertains to manufacturing plant located at Shirwal.
- iii. Impairment loss relates to plant and machinery which, based on the technical assessment done by the Company, are not in use and the likelihood of using these assets in foreseeable future is remote. The net carrying amount of these assets has been recognised as impairment loss in the Statement of Profit and Loss under the head 'Depreciation and amortisation expense'.
- iv. Disposals for the year ended December 31, 2019 include the sale of office property held at Mumbai (Refer note 28).
- v. Capital work-in-progress mainly includes building under construction and plant and machinery in the process of installation.
- vi. The additions to capital work-in-progress are net after considering the transfers to property, plant and equipment. Gross additions to capital work-in-progress and transfers to property, plant and equipment are as follows:

	Capital work-in-progress	
	As at December 31, 2019	As at December 31, 2018
Opening carrying value	41.38	40.92
Additions	600.81	504.80
Transfers to property, plant and equipment	(297.29)	(504.34)
Closing carrying value	<u>344.90</u>	<u>41.38</u>

4 Intangible Assets

	Copyrights, patents and other intellectual property rights, services and operating rights	Computer Software	Total
Gross carrying amount as at January 1, 2018	59.26	65.61	124.87
Additions	-	11.63	11.63
Gross carrying amount as at December 31, 2018	59.26	77.24	136.50
Accumulated Amortisation			
Balance as at January 1, 2018	54.24	52.14	106.38
Amortisation charge for the year	1.17	10.29	11.46
Closing accumulated amortisation as at December 31, 2018	55.41	62.43	117.84
Net carrying amount as at December 31, 2018	<u>3.85</u>	<u>14.81</u>	<u>18.66</u>
	Copyrights, patents and other intellectual property rights, services and operating rights	Computer Software	Total
Gross carrying amount as at January 1, 2019	59.26	77.24	136.50
Additions	-	10.60	10.60
Gross carrying amount as at December 31, 2019	59.26	87.84	147.10
Accumulated Amortisation			
Balance as at January 1, 2019	55.41	62.43	117.84
Amortisation charge for the year	1.16	11.99	13.15
Closing accumulated amortisation as at December 31, 2019	56.57	74.42	130.99
Net carrying value as at December 31, 2019	<u>2.69</u>	<u>13.42</u>	<u>16.11</u>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

5 (a) Investments

	As at December 31, 2019	As at December 31, 2018
Investment in subsidiary Pofran Sales & Agency Ltd. - 5000 equity shares (December 31, 2018 - 5000 equity shares) of ₹ 100 each fully paid	0.50	0.50
Investment in associate KSB MIL Controls Ltd. - 735,000 equity shares (December 31, 2018 - 735,000 equity shares) of ₹ 10 each fully paid	62.65	62.65
Investment in equity instruments of other entities Mula Pravara Electric Co - operative Society Ltd. - 15,995 equity shares (December 31, 2018 - 15,995 equity shares) of ₹ 25 each fully paid	0.40	0.40
Total	<u>63.55</u>	<u>63.55</u>
Less : Aggregate amount of provision for impairment in the value of investments	(0.40)	(0.40)
Total Investments	<u>63.15</u>	<u>63.15</u>
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	63.55	63.55

5 (b) Loans

	As at December 31, 2019	As at December 31, 2018
Non-current		
Unsecured, considered good		
Loans to employees	44.31	35.45
Security deposits	36.66	32.42
Unsecured, considered doubtful		
Security deposits	<u>5.30</u>	<u>5.30</u>
	86.27	73.17
Less: Provision for doubtful security deposits	(5.30)	(5.30)
Total	<u>80.97</u>	<u>67.87</u>
Current		
Unsecured, considered good		
Loans and advances to employees	<u>21.55</u>	<u>11.98</u>
Total	<u>21.55</u>	<u>11.98</u>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

6 Trade receivables		As at December 31, 2019	As at December 31, 2018
Trade receivables		2,988.99	3,035.49
Receivables from related parties (Refer note 32)		594.61	405.82
		<u>3,583.60</u>	<u>3,441.31</u>
Less: Provision for liquidated damages		(326.78)	(262.41)
Less: Allowance for doubtful debts		(164.14)	(172.41)
Total		<u><u>3,092.68</u></u>	<u><u>3,006.49</u></u>
Current portion		2,961.79	2,907.15
Non-current portion		130.89	99.34
Break-up of security details		As at December 31, 2019	As at December 31, 2018
Trade receivables considered good - Unsecured		3,092.68	3,006.49
Trade receivables - credit impaired		490.92	434.82
		<u>3,583.60</u>	<u>3,441.31</u>
Less: Provision for liquidated damages		(326.78)	(262.41)
Less: Allowance for doubtful debts		(164.14)	(172.41)
Total		<u><u>3,092.68</u></u>	<u><u>3,006.49</u></u>
7 (a) Cash and cash equivalents		As at December 31, 2019	As at December 31, 2018
Balances with banks			
In current accounts		385.78	85.20
In EEFC accounts		97.06	34.14
Cash on hand		0.67	0.47
Total		<u><u>483.51</u></u>	<u><u>119.81</u></u>
7 (b) Bank balances other than 7 (a) above		As at December 31, 2019	As at December 31, 2018
Balances with banks			
In deposits with original maturity of more than three but less than twelve months*		2,413.30	1,259.08
In earmarked accounts			
Unpaid dividend accounts		3.20	3.50
Total		<u><u>2,416.50</u></u>	<u><u>1,262.58</u></u>
		*Includes ₹ 431.98 million (December 31, 2018: ₹ 473.74 million) held as lien by bank against credit facilities.	
8 Other financial assets-current		As at December 31, 2019	As at December 31, 2018
Interest accrued on deposits with banks		105.63	40.09
Derivative asset		-	8.01
Total		<u><u>105.63</u></u>	<u><u>48.10</u></u>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

9 Inventories

	As at December 31, 2019	As at December 31, 2018
Raw materials (includes in transit ₹ 62.51 million; December 31, 2018 : ₹ 62.11 million)	1,012.48	883.39
Work-in-progress	1,523.95	1,410.59
Finished goods (includes in transit ₹ 116.67 million; December 31, 2018 : ₹ 88.98 million)	544.92	542.99
Stock-in-trade	119.41	139.59
Stores and spares	42.47	46.64
Loose tools	5.20	7.03
Total	<u>3,248.43</u>	<u>3,030.23</u>

10 Other non-current assets

	As at December 31, 2019	As at December 31, 2018
Capital advances	31.75	21.32
Advances other than capital advances		
Prepaid expenses	1.83	2.12
Balances with government authorities		
Considered good	6.99	187.52
Considered doubtful	3.72	6.25
	<u>10.71</u>	<u>193.77</u>
Less: Provision for doubtful balances	<u>(3.72)</u>	<u>(6.25)</u>
	<u>6.99</u>	<u>187.52</u>
Total	<u>40.57</u>	<u>210.96</u>

11 Other current assets

	As at December 31, 2019	As at December 31, 2018
Prepaid expenses	6.72	6.86
Advances to related parties (Refer note 32)	28.07	10.45
Balances with government authorities		
Considered good	310.47	444.44
Considered doubtful	7.48	7.48
	<u>317.95</u>	<u>451.92</u>
Less: Provision for doubtful balances	<u>(7.48)</u>	<u>(7.48)</u>
	<u>310.47</u>	<u>444.44</u>
Others*		
Considered good	287.58	216.59
Considered doubtful	11.59	11.59
	<u>299.17</u>	<u>228.18</u>
Less: Provision for doubtful balances	<u>(11.59)</u>	<u>(11.59)</u>
	<u>287.58</u>	<u>216.59</u>
Total	<u>632.84</u>	<u>678.34</u>

*Others includes advances paid to suppliers which would be subsequently settled against purchases and export incentives receivable.

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

12 (a) Deferred tax assets

The balance of deferred tax comprises temporary differences attributable to:

	As at December 31, 2019	As at December 31, 2018
Deferred tax assets		
Provision for compensated absences and gratuity	116.04	142.81
Provision for doubtful debts and advances	48.48	73.75
Fair value loss on derivative instruments	0.40	-
Others (including allowances on payment basis)	60.73	79.40
	<u>225.65</u>	<u>295.96</u>
Deferred tax liabilities		
Accelerated depreciation for tax purposes	106.41	131.79
Fair value gain on derivative instruments	-	2.80
	<u>106.41</u>	<u>134.59</u>
Deferred tax assets (net)	<u>119.24</u>	<u>161.37</u>

Changes in Deferred tax assets/ (liabilities) in Statement of Profit and Loss [(charged) / credited during the year]

	Year Ended December 31, 2019	Year Ended December 31, 2018
Provision for compensated absences and gratuity	(26.77)	1.00
Provision for doubtful debts and advances	(25.27)	(1.87)
Accelerated depreciation for tax purposes	25.38	(6.37)
Fair value of derivative instruments	3.20	2.55
Others	(18.67)	(9.72)
Total	<u>(42.13)</u>	<u>(14.41)</u>

12(b) Income Taxes

The major components of income tax expense for the year ended December 31, 2019 and December 31, 2018 are:

Statement of Profit and Loss

	Year ended December 31, 2019	Year ended December 31, 2018
Current income tax charge		
Current income tax		
- Current tax on profit for the current year	351.84	366.11
- Adjustments for current tax of prior periods	(14.12)	1.29
Deferred tax	59.84	9.07
Income tax expense reported in the Statement of Profit and Loss	<u>397.56</u>	<u>376.47</u>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

Other comprehensive income section	Year ended December 31, 2019	Year ended December 31, 2018
Deferred tax relating to remeasurement of post employment benefit obligations	17.71	(5.34)
Current tax relating to remeasurement of post employment benefit obligations	-	-
Income tax charged to Other comprehensive income	<u>17.71</u>	<u>(5.34)</u>
 Movement in income tax (assets) / liabilities (net)		
	As at December 31, 2019	As at December 31, 2018
Opening balance [payable/ (receivable)]	(126.30)	(84.80)
Add : Current tax payable (including tax for prior period)	337.72	367.40
Less : Taxes paid (including tax paid for prior period)	<u>(353.53)</u>	<u>(408.90)</u>
Closing balance [payable/ (receivable)]	<u>(142.11)</u>	<u>(126.30)</u>

Reconciliation of tax expense and accounting profit multiplied by statutory income tax rate :

	Year ended December 31, 2019	Year ended December 31, 2018
Accounting profit before tax	1,375.81	1,116.73
Tax at statutory income tax rate of 25.17%* (2018: 34.94%)	346.29	390.23
Reduction in statutory income tax rate-reversal of deferred tax assets	40.74	-
Impact of higher tax rate for the quarter ended March 31, 2019 (34.94%)	23.76	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
- Dividend Income	(6.29)	(24.14)
- Donations	2.90	2.80
- Other items	4.28	6.29
Adjustments for current-tax of prior periods	<u>(14.12)</u>	<u>1.29</u>
Income tax expense	<u>397.56</u>	<u>376.47</u>

* Pursuant to the announcement made by the Finance Ministry of the Government of India on September 20, 2019, the Company has opted for a lower corporate tax rate as per section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation laws (Amendment) Ordinance, 2019 from financial year 2019-20 onwards. Accordingly, the Company has recognised provision for income tax and remeasured the Deferred Tax Assets basis the revised lower tax rate and the impact of the same has been recognised in the year ended December 31, 2019.

13 (a) Equity share capital

	As at December 31, 2019	As at December 31, 2018
Authorised equity share capital : 40,000,000 (December 31, 2018: 40,000,000)		
Equity shares of ₹ 10 each	<u>400.00</u>	<u>400.00</u>
Total	<u>400.00</u>	<u>400.00</u>
Issued, subscribed and paid up : 34,807,844 (December 31, 2018: 34,807,844)		
Equity shares of ₹ 10 each	<u>348.08</u>	<u>348.08</u>
Total	<u>348.08</u>	<u>348.08</u>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

(i) Reconciliation of number of equity shares

	As at December 31, 2019	As at December 31, 2018
Shares outstanding at the beginning and end of the year	3,48,07,844	3,48,07,844

(ii) Rights, preferences and restrictions attached to equity shares

The company has only one class of shares referred to as equity shares having a face value of Rs. 10/- per share. Each equity shareholder is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Shares held by Holding Company/ Ultimate Holding Company and/ or their Subsidiaries/ Associates.

	As at December 31, 2019	As at December 31, 2018
Canadian Kay Pump Ltd. (Holding Company)	1,41,10,848	1,41,10,848

(iv) Details of equity shares held by shareholders holding more than 5% of the aggregate equity shares in the Company

Name of the shareholder	As at December 31, 2019		As at December 31, 2018	
	% holding	No. of shares	% holding	No. of shares
Canadian Kay Pump Ltd.	40.54%	1,41,10,848	40.54%	1,41,10,848
The Industrial & Prudential Investment Co. Ltd.	20.51%	71,40,000	20.51%	71,40,000
Reliance Capital Trustee Company Ltd.(held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	5.56%	19,34,775	6.89%	23,96,693

(v) There were neither shares bought back nor allotted either as fully paid bonus shares or under any contract without payment being received in cash, during the five years immediately preceding December 31, 2019.

13 (b) Other equity

(i) Retained earnings

	As at December 31, 2019	As at December 31, 2018
Opening balance	5,695.94	5,188.68
Net profit for the year	978.25	740.26
	<u>6,674.19</u>	<u>5,928.94</u>
Less: Dividend paid (including tax thereon)	(251.10)	(242.94)
Items of other comprehensive income recognised directly in retained earnings		
Remeasurement of post-employment benefit obligations (net of tax)	(52.56)	9.94
Closing Balance	<u>6,370.53</u>	<u>5,695.94</u>
Total Retained earnings	<u>6,370.53</u>	<u>5,695.94</u>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(ii) Other reserves	As at December 31, 2019	As at December 31, 2018
Capital reserve [Refer note (i)]	0.09	0.09
Capital redemption reserve [Refer note (i)]	0.10	0.10
Securities premium [Refer note (i)]	3.20	3.20
General reserve [Refer note (ii)]	1,085.08	1,085.08
Amalgamation reserve [Refer note (i)]	0.06	0.06
Total Other reserves	1,088.53	1,088.53
Total Other equity	7,459.06	6,784.47

Nature and purpose of Other reserves:

- i These reserves pertain to reserve arising on amalgamations in the past, which is required to be statutorily maintained and cannot be distributed to the shareholders.
- ii This reserve represents amounts transferred from retained earnings in earlier years as per the requirements of the erstwhile Companies Act, 1956. The reserve is a free reserve.

14 Current borrowings

	As at December 31, 2019	As at December 31, 2018
Working capital facilities from banks (secured)	-	100.14
Working capital facilities from banks (unsecured)	600.00	334.12
Total	600.00	434.26

Terms of repayment for borrowings

Particulars	Terms of repayment	As at December 31, 2019	As at December 31, 2018
Working capital facilities from banks (secured) [Refer note (i) below]	Repayable within one year at average interest rate 7.5 - 9.5 % p.a.	-	100.14
Working capital facilities from banks (unsecured) [Refer note (ii) below]	Repayable within six months at average interest rate 5 - 7 % p.a.	600.00	334.12
Total		600.00	434.26

Notes:

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

Particulars	Nature of security	As at December 31, 2019	As at December 31, 2018
Working capital facility	Pledge of Fixed Deposits of ₹ 431.98 Million (December 31, 2018 : ₹ 473.74 Million)	-	100.14
Total		-	100.14

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

- (ii) Export packing credit has been obtained by the Company at a concessional rate of interest ranging from 5 to 7% p.a repayable within six months from the date of drawdown.

Net debt reconciliation

	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	483.51	119.81
Liquid investments	2,413.30	1,259.08
Current borrowings	(600.00)	(434.26)
Net Debt	<u>2,296.81</u>	<u>944.63</u>

15 Trade payables

	As at December 31, 2019	As at December 31, 2018
Total outstanding dues of micro enterprises and small enterprises	12.24	21.30
Total outstanding dues of creditors other than micro enterprises and small enterprises		
(i) Related parties (Refer note 32)	707.13	385.09
(ii) Others	1,835.92	1,770.64
Total	<u>2,555.29</u>	<u>2,177.03</u>

Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The information as required to be disclosed under MSMED Act has been determined to the extent such parties have been identified on the basis of information available with the Company.

Sr. No.	Particulars	December 31, 2019	December 31, 2018
a)	i) The principal amount remaining unpaid to any supplier as at the year end	0.92	21.30
	ii) The interest due remaining unpaid to any supplier as at the year end	-	0.34
b)	The amount of interest paid under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	1.83	3.01
d)	The amount of interest accrued and remaining unpaid as at the year end	11.32	9.83
e)	The amount of further interest due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

16 Other financial liabilities-current	As at December 31, 2019	As at December 31, 2018
Security deposits	107.06	91.81
Unclaimed dividend	3.20	3.50
Payable for purchase of property, plant and equipment	177.38	127.33
Derivative liability	1.59	-
Dealer incentive schemes	322.44	239.26
Payable to employees	91.45	71.14
Liquidated damages	-	13.13
Total	703.12	546.17

17(a) Non-current provisions	As at December 31, 2019	As at December 31, 2018
Provision for employee benefits (Refer note 31)	379.21	342.40
Provision for warranty [Refer note (ii) below]	45.19	23.39
Total	424.40	365.79

17(b) Current provisions	As at December 31, 2019	As at December 31, 2018
Provision for employee benefits [Refer note (i) below]	256.56	208.65
Provision for warranty [Refer note (ii) below]	33.36	46.79
Provision for litigations / contingencies [Refer note (iii) below]	161.70	156.58
Total	451.62	412.02

Notes:

- (i) Includes provision for employee bonus and incentives. For details of gratuity, superannuation and compensated absences, refer note 31.
- (ii) The Company offers warranty for its products. Provision for warranty is computed as a percentage of sales based on the past trends observed. The time value of money is considered to be not material and hence the provisions are not discounted. It is expected that this expenditure will be incurred over the contractual warranty period.
- (iii) Provision is towards contingencies in respect of disputed claims against the Company, the quantum of outflow and timing of which is presently unascertainable.

Movement in provisions

	Provision for warranty	Provision for litigations/ contingencies
As at January 1, 2018		
Balance at the beginning	81.68	153.92
Charged/(Credited) to the Statement of Profit and Loss		
Additional provision recognised	70.18	74.70
Unused amounts reversed	(46.29)	(72.04)
Amounts used during the year	(35.39)	-
As at December 31, 2018	70.18	156.58

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

	Provision for warranty	Provision for litigations/ contingencies
As at January 1, 2019		
Balance at the beginning	70.18	156.58
Charged / (Credited) to the Statement of Profit and Loss		
Additional provision recognised	78.55	6.19
Unused amounts reversed	(47.21)	(1.07)
Amounts used during the year	(22.97)	-
As at December 31, 2019	<u>78.55</u>	<u>161.70</u>

18 Other current liabilities

	As at December 31, 2019	As at December 31, 2018
Statutory dues	31.05	29.65
Advances from customers	1,292.31	941.69
Total	<u>1,323.36</u>	<u>971.34</u>

19 Revenue from operations

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers		
Sale of products	12,713.36	10,665.78
Sale of services	115.39	109.16
	<u>12,828.75</u>	<u>10,774.94</u>
Other operating revenue		
Sale of scrap	46.59	46.34
Export incentives	63.74	109.38
	<u>110.33</u>	<u>155.72</u>
Revenue from operations	<u>12,939.08</u>	<u>10,930.66</u>

Notes:

- (I) In accordance with Ind AS 115 – ‘Revenue from Contracts with Customers’, the Liquidated damages of ₹ 96.23 million for the year ended December 31, 2019 have been adjusted in the Sale of products. Accordingly, the Sale of products for the year ended December 31, 2019 and December 31, 2018 are not comparable to the extent.
- (ii) Disaggregated revenue information
The table below presents disaggregated revenue from contracts with customers for the year ended December 31, 2019 and December 31, 2018. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors.

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

	Year ended December 31, 2019	Year ended December 31, 2018
Within India	10,460.73	9,223.80
Outside India	2,368.02	1,551.14
Revenue from contracts with customers	<u>12,828.75</u>	<u>10,774.94</u>

	Year ended December 31, 2019	Year ended December 31, 2018
Pumps	10,783.55	9,033.50
Valves	2,042.29	1,732.67
Others	2.91	8.77
Revenue from contracts with customers	<u>12,828.75</u>	<u>10,774.94</u>

(iii) Reconciliation of revenue recognized with contract price :

	Year ended December 31, 2019
Contract price	13,483.07
Adjustments for:	
Discounts, incentives, liquidated damages	(654.32)
Revenue from contracts with customers	<u>12,828.75</u>

20 Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income		
- Interest income from financial assets measured at amortised cost	92.62	62.89
- Others	35.98	32.26
Dividend income from associate	21.68	26.09
Dividend income from subsidiary	3.30	43.00
Sundry credit balances and provisions no longer required, written back	29.59	60.90
Net gain on disposal of property, plant and equipment	0.60	4.85
Net gain on foreign currency transactions and translations	50.49	-
Fair value gain in derivative financial instruments	-	5.13
Miscellaneous income	22.05	31.98
Total	<u>256.31</u>	<u>267.10</u>

21 Cost of materials consumed

	Year ended December 31, 2019	Year ended December 31, 2018
Opening stock of raw materials	883.39	666.07
Add: Purchases	6,144.87	5,420.87
Less: Closing stock of raw materials	1,012.48	883.39
Total	<u>6,015.78</u>	<u>5,203.55</u>

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

22 Purchases of stock-in-trade

	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of stock-in-trade	1,062.39	783.68
Total	<u>1,062.39</u>	<u>783.68</u>

23 Change in inventories of finished goods, stock-in-trade and work-in-progress

	Year ended December 31, 2019	Year ended December 31, 2018
Opening inventory		
- Finished goods	542.99	509.16
- Stock-in-trade	139.59	133.65
- Work-in-progress	1,410.59	1,113.82
	<u>2,093.17</u>	<u>1,756.63</u>
Less: Closing inventory		
- Finished goods	544.92	542.99
- Stock-in-trade	119.41	139.59
- Work-in-progress	1,523.95	1,410.59
	<u>2,188.28</u>	<u>2,093.17</u>
Net change in inventories	<u>(95.11)</u>	<u>(336.54)</u>

24 Employee benefit expense

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and wages	1,557.25	1,331.83
Contributions to provident fund and other funds	109.43	99.41
Staff welfare expenses	112.21	108.42
Total	<u>1,778.89</u>	<u>1,539.66</u>

25 Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest on borrowings	39.23	21.46
Net interest expense on defined benefit obligations	13.89	16.03
Total	<u>53.12</u>	<u>37.49</u>

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

26 Depreciation and amortisation expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Depreciation and impairment on property, plant and equipment (Refer note 3)	444.08	385.21
Amortisation of intangible assets (Refer note 4)	13.15	11.46
Total	457.23	396.67

27 Other expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Processing and machining charges	583.28	525.83
Stores consumed	251.35	198.46
Tools consumed	49.48	78.96
Water, power and fuel	242.33	229.96
Rent	9.86	7.57
Rates and taxes	10.42	11.09
Repairs and maintenance		
- Buildings	20.82	8.14
- Machinery	57.14	63.42
- Others	152.47	129.09
Travelling and conveyance	98.97	87.68
Packing and forwarding charges (Net of recoveries - ₹ 66.27 million; previous year - ₹ 47.62 million)	359.09	306.98
Export selling agents	6.76	0.45
Other selling agents	8.16	27.26
Group service charges	48.00	48.00
Royalty charges	174.13	136.35
Liquidated damages [Refer note 19(i)]	-	40.57
Expenditure on Corporate Social Responsibility [Refer note 27(i)]	20.96	16.00
Fair value losses in derivative financial instruments	9.60	-
Legal and professional fees [Refer note 27(ii)]	46.38	40.21
Net losses on foreign currency transactions and translations	-	22.20
Other computer services	92.36	92.66
Advertisements, catalogues, other advertising	70.09	55.01
Miscellaneous expenses	363.05	330.63
Total	2,674.70	2,456.52

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

27 (i) Expenditure on Corporate Social Responsibility

	December 31, 2019	December 31, 2018
Contribution to KSB Care Charitable Trust	20.96	16.00
Gross amount required to be spent by the Company during the year	20.96	21.00

Amount spent during the year on :

	In cash	
	December 31, 2019	December 31, 2018
a. Construction / acquisition of any asset	-	-
b. On purposes other than (a) above	20.96	16.00
Total	<u>20.96</u>	<u>16.00</u>

27 (ii) Payment to auditors (included in legal and professional fees)

	Year ended December 31, 2019	Year ended December 31, 2018
As auditor		
Audit fee (Including limited review and audit of consolidated financial statements)	1.75	1.50
Tax audit fee	0.30	0.30
Accounts for tax purposes	0.45	0.45
Fees for other services	2.70	1.90
Reimbursement of expenses	0.30	0.30
Total	<u>5.50</u>	<u>4.45</u>

28 Exceptional item

Exceptional item for the year ended December 31, 2019 represents gain of ₹ 127.42 million arising from sale of office property located at Mumbai.

29 Earnings per equity share

	Year ended December 31, 2019	Year ended December 31, 2018
Profit for the year attributable to the equity shareholders of the Company	978.25	740.26
Weighted average number of equity shares	3,48,07,844	3,48,07,844
Basic and Diluted Earnings per share (in INR)	28.10	21.27

30 Contingencies and commitments

a) Contingent liabilities	Year ended December 31, 2019	Year ended December 31, 2018
Claims against the Company not acknowledged as debts	58.02	47.51
Income tax matters in dispute pending at various stages of appeal	198.33	156.61
Excise and Service tax matters	459.48	476.33
Total	<u>715.83</u>	<u>680.45</u>

Notes forming part of the financial statements (contd.)

(All amounts are in INR million, unless otherwise stated)

b) The Company has evaluated the impact of the recent Supreme Court Judgment in the case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. Based on the management assessment, the aforesaid matter is not likely to have a significant impact and accordingly no provision has been recognised in books of accounts.

c) Capital commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is ₹ 156.65 million (December 31, 2018 ₹ 60.58 million)

31 Employee benefit obligations

	As at December 31, 2019	As at December 31, 2018
Compensated absences (Refer note B)	236.98	222.13
Non-current	196.05	193.99
Current	40.93	28.14
Gratuity (Refer note C)	199.43	170.79
Non-current	159.04	132.61
Current	40.39	38.18
Superannuation (Refer note D)	24.64	15.80
Non-current	24.12	15.80
Current	0.52	-

A Defined contribution plan

The Company also has certain defined contribution plans i.e contribution to provident fund and contribution to superannuation fund. Contributions are made to provident fund for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards contribution to provident fund is ₹ 69.11 million (December 31, 2018 - ₹ 60.01 million). Refer note 31D below for details related to superannuation fund.

B Compensated absences

The leave obligations cover the Company's liability for privilege leave and sick leave. The amount of provision made during the year is ₹ 50.32 million (December 31, 2018 - ₹ 52.63 million). The Company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within twelve months and accordingly, amounts have been classified as current and non-current.

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

C Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days to one month's salary multiplied for the number of years of service. The gratuity plan is a funded plan.

(I) The amounts recognised in balance sheet and movements in the net benefit obligation over the year are as follows:

	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2018	539.45	(341.58)	197.87
Current service cost	27.76	-	27.76
Interest expense/(income)	40.97	(25.94)	15.03
Past service cost	7.45	-	7.45
Total amount recognised in Profit or Loss	76.18	(25.94)	50.24
Return on plan assets	-	(1.22)	(1.22)
(Gain)/loss from experience changes	(18.98)	-	(18.98)
(Gain)/loss from change in financial assumptions	4.98	-	4.98
Total amount recognised in Other Comprehensive Income	(14.00)	(1.22)	(15.22)
Employer contributions	-	(36.33)	(36.33)
Benefits paid	(40.45)	14.68	(25.77)
December 31, 2018	561.18	(390.39)	170.79
Particulars	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2019	561.18	(390.39)	170.79
Current service cost	34.54	-	34.54
Interest expense/(income)	41.78	(29.07)	12.71
Total amount recognised in Profit or Loss	76.32	(29.07)	47.25
Return on plan assets	-	(2.08)	(2.08)
(Gain)/loss from experience changes	51.87	-	51.87
(Gain)/loss from change in financial assumptions	13.59	-	13.59
Total amount recognised in Other Comprehensive Income	65.46	(2.08)	63.38
Employer contributions	-	(40.39)	(40.39)
Benefits paid	(41.60)	-	(41.60)
December 31, 2019	661.36	(461.93)	199.43

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(II) The net liability disclosed above relates to funded plans are as follows :

	As at December 31, 2019	As at December 31, 2018
Present value of funded obligation	661.36	561.18
Fair value of plan assets	(461.93)	(390.39)
Deficit	<u>199.43</u>	<u>170.79</u>

(III) Significant estimates

The significant actuarial assumptions were as follows :

	As at December 31, 2019	As at December 31, 2018
Discount rate	7.10%	7.45%
Salary growth rate	7.50%	7.50%
Attrition rate	7.00%	7.00%

(IV) Sensitivity of actuarial assumptions

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	As at December 31, 2019	As at December 31, 2018
Discount rate		
1 % increase	(37.59)	(31.85)
1 % decrease	41.63	35.27
Future salary increase		
1 % increase	44.38	32.52
1 % decrease	(41.18)	(30.03)
Attrition rate		
1 % increase	(1.41)	(0.65)
1 % decrease	1.89	0.89

The above sensitivity analysis have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method is used to calculate the liability recognised in the Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Projected benefits payable from the fund in future years from the date of reporting:

	As at December 31, 2019	As at December 31, 2018
Upto 1 year	58.41	64.80
Between 2 to 5 years	290.39	232.28
Between 6 to 10 years	386.21	303.74
More than 10 years	353.93	351.73
Total	<u>1,088.94</u>	<u>952.55</u>

The weighted average duration of the defined benefit obligation is 7 years. (December 31, 2018: 7 years)

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(V) The major categories of plan assets are as follows:

	As at December 31, 2019	As at December 31, 2018
Funds managed by insurer	100%	100%

D Superannuation

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

(I) The amounts recognised in balance sheet and movements in the net benefit obligation over the year are as follows:

	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2018	32.23	(19.04)	13.19
Current service cost	1.67	-	1.67
Interest expense/(income)	2.45	(1.45)	1.00
Total amount recognised in Profit or Loss	4.12	(1.45)	2.67
Return on plan assets	-	0.47	0.47
(Gain)/loss from experience changes	(0.73)	-	(0.73)
(Gain)/loss from change in financial assumptions	0.20	-	0.20
Total amount recognised in Other Comprehensive Income	(0.53)	0.47	(0.06)
Employer contributions	-	-	-
Benefits paid	(3.35)	3.35	-
December 31, 2018	32.47	(16.67)	15.80
	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2019	32.47	(16.67)	15.80
Current service cost	1.57	-	1.57
Interest expense/(income)	2.42	(1.24)	1.18
Total amount recognised in Profit or Loss	3.99	(1.24)	2.75
Return on plan assets	-	0.72	0.72
(Gain)/loss from experience changes	5.72	-	5.72
(Gain)/loss from change in financial assumptions	0.45	-	0.45
Total amount recognised in Other Comprehensive Income	6.17	0.72	6.89
Employer contributions	-	(0.80)	(0.80)
Benefits paid	(13.42)	13.42	-
December 31, 2019	29.21	(4.57)	24.64

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(II) The net liability disclosed above relates to funded plans are as follows:

	As at December 31, 2019	As at December 31, 2018
Present value of funded obligation	29.21	32.47
Fair value of plan assets	(4.57)	(16.67)
Deficit	<u>24.64</u>	<u>15.80</u>

(III) Significant estimates

The significant actuarial assumptions were as follows:

	As at December 31, 2019	As at December 31, 2018
Discount rate	7.10%	7.45%
Attrition rate	7.00%	7.00%

(IV) Sensitivity of actuarial assumptions

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	As at December 31, 2019	As at December 31, 2018
Discount rate		
1 % increase	(1.26)	(1.32)
1 % decrease	1.37	1.43
Attrition rate		
1 % increase	0.33	0.37
1 % decrease	(0.40)	(0.45)

The above sensitivity analysis have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method is used to calculate the liability recognised in the Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Projected benefits payable from the fund in future years:

	As at December 31, 2019	As at December 31, 2018
Upto 1 year	5.09	8.27
Between 2 to 5 years	18.55	18.93
Between 6 to 10 years	13.18	12.61
More than 10 years	5.17	6.82
Total	<u>41.99</u>	<u>46.63</u>

The weighted average duration of the defined benefit obligation is 4 years. (December 31, 2018: 4 years)

(V) The major categories of plan assets are as follows:

	As at December 31, 2019	As at December 31, 2018
Funds managed by insurer	100%	100%

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

Risk exposure for the above plans

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset-liability mismatch risk

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset - liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

(ii) Asset volatility

All plan assets are maintained in a trust fund managed by a public sector insurer i.e., LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years. The Company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The Company has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence, 100% liquidity is ensured. Also, interest rate and inflation risk are taken care of.

(iii) Discount rate risk

The present value of the defined benefit obligation is calculated using discount rate based on Government bonds. The decrease in the bond yield will increase the defined benefit obligation, however the same will be partially offset by an increase in value of plan assets.

(iv) Future salary escalation risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in salary of the plan participants will increase the defined benefit obligation.

32 Related party transactions

A Name of the related parties and nature of relationship

a.	Ultimate Parent Entity KSB Stiftung and Kuborth Stiftungs GmbH
b.	Parent Entities Canadian Kay Pump Ltd. KSB SE & Co. KGaA (previously KSB AG)
c.	Subsidiary Pofran Sales and Agency Limited
d.	Associate KSB MIL Controls Limited (previously MIL Controls Limited)
e.	Other Related Parties with whom transactions have taken place during the year: Fellow Subsidiaries:
	1 KSB S.A.S France
	2 KSB Inc., USA
	3 KSB Pumps and Valves Pty Ltd South Africa

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

32 A. Related party transactions (Contd.)

4	KSB Australia Pty Limited
5	KSB Chile S.A.
6	KSB Singapore (Asia Pacific) PTE Ltd.
7	KSB Limited, Hongkong
8	KSB Pumps Co.Ltd., Thailand
9	P.T. KSB., Indonesia
10	KSB Taiwan Co.Ltd.
11	KSB Ltd, Tokyo
12	KSB Brazil LtdA.
13	KSB Korea Limited
14	KSB de Mexico S.A. de C.V.
15	KSB Nederland B.V.
16	DP Industries B.V., Netherland
17	KSB Pumps Arabia Ltd.
18	KSB Limited United Kingdom
19	KSB Italia S.p.A., Italy
20	KSB Pompa Armatur Sanayi ve Ticaret AS Turkey
21	KSB Shanghai Pump Co. Ltd., China
22	KSB Valves (Shanghai) Co. Ltd., China
23	KSB Finland Oy
24	KSB Pumps Company Limited, Pakistan
25	KSB ITUR S.A., Spain
26	KSB Tech Pvt. Ltd., India
27	GIW Industries Inc., USA
28	KSB Middle East FZE, Dubai
29	KSB Service LLC UAE
30	KSB Polska Sp. z o.o, Poland
31	KSB Compania Sudamericana De Bombas S.A., Argentina
32	KSB Malaysia Pumps & Valves Sdn. Bhd.
33	KSB Finanz S.A., Luxembourg
34	KSB Sverige Aktiebolag
35	KSB Pompes ET Robintteries Sarl, Morocco
36	KSB Service GmbH, Germany
37	KSB New Zealand
38	KSB OOO, Russia
39	AMRI Inc., USA
40	KSB Vietnam Company Ltd.
41	KSB Philippines
42	KSB Colombia SAS
43	KSB (Schweiz) AG, Switzerland
44	KSB Valves (Changzhou) Co.,Ltd., China
45	SISTO Armaturen S.A., Luxembourg
46	Shanghai Electric KSB Nuclear Pumps and Valves Co. Ltd., China
47	PT. KSB Sales Indonesia
48	KSB Zambia Limited

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

32 A. Related party transactions (Contd.)

	49	KSB Pumps and Valves L.t.d., Slovenia
	50	KSB Peru S.A.
	51	TOO "KSB Kazakhstan"
	52	KSB Pumps (SA) Proprietary Limited, Kenya
	53	Pumpen-Service Bentz GmbH
f.		Key Management Personnel:
	1	Mr. Rajeev Jain
	2	Mr. G. Swarup
	3	Mr. A. R. Broacha (until September 30, 2019)
	4	Mr. D. N. Damania
	5	Mr. Pradip Shah
	6	Dr. Stephan Bross
	7	Mr. V. K. Vishwanathan
	8	Ms. S. F. Motwani (until February 22, 2018)
	9	Dr. Matthias Schmitz
	10	Ms. Divya Shriram (w.e.f. May 21, 2018 until August 19, 2018)
	11	Ms. Sharmila Roy Chowdhury (w.e.f. September 30, 2018)
g.		Individuals having significant influence over the enterprise
	1	Mr. G. Swarup
h.		Relatives of individuals having significant influence over the enterprise
	1	Mrs. Gyan M Swarup
	2	Mr. Vikram Swarup and Mr. Gaurav Swarup (HUF)
	3	Mr. Vikram Swarup
	4	Mrs. Bindu Swarup
	5	Mrs. Parul Swarup
i.		Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence
	1	The Industrial & Prudential Investment Co. Ltd.
	2	New Holding and Trading Company Ltd.
	3	Paharpur Cooling Towers Ltd.
j.		Post employment benefit Trusts
	1	KSB Pumps Employee's Gratuity Trust
	2	Grade-O-Castings Employee's Gratuity Trust
	3	KSB Pumps (Core Employee's) Superannuation Trust

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

32 B. Transactions with related parties

Nature of transactions	Parent Entities	Subsidiary Company	Associate Company	Fellow Subsidiaries	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 exercise enterprise influence	Post employment benefit Trusts	Total
Purchase of goods	211.92 (113.08)	-	31.39 (12.33)	173.44 (66.45)	-	-	-	-	-	416.75 (191.99)
Sale of goods	519.51 (224.04)	-	0.06 (1.06)	937.54 (798.18)	-	-	-	19.53 (8.87)	-	1,476.64 (1,032.15)
Income from services	20.45 (19.22)	-	-	9.69 (10.99)	-	-	-	-	-	30.14 (30.21)
Order cancellation charges received	-	-	-	-	-	-	-	-	-	-
Site expenses	(-)	(-)	(-)	(0.05)	(-)	(-)	(-)	(-)	(-)	(0.05)
Commission income	0.18 (3.31)	-	-	1.54 (0.80)	-	-	-	-	-	1.72 (4.11)
Commission expenses	8.18 (7.39)	-	-	1.04 (2.26)	(-)	(-)	(-)	(-)	(-)	9.22 (9.65)
Group service charges	-	-	-	6.76 (0.45)	-	(-)	(-)	-	-	6.76 (0.45)
Dividend received	48.00 (48.00)	-	-	-	-	(-)	(-)	(-)	(-)	48.00 (48.00)
Liquidated damages	-	3.30 (43.00)	21.68 (26.09)	-	-	(-)	(-)	(-)	(-)	24.98 (69.09)
Charges paid for technical / professional services	-	-	-	1.05	(-)	(-)	(-)	(-)	(-)	1.05
Royalty paid	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Warranty charges	106.01 (120.86)	-	-	22.15 (11.96)	-	-	-	-	-	128.16 (132.82)
Rent received	171.98 (134.82)	-	-	2.16 (1.53)	(-)	(-)	(-)	(-)	(-)	174.14 (136.35)
Recovery of expenses	0.41 (-)	-	-	0.83 (0.45)	(-)	(-)	(-)	(-)	(-)	1.24 (0.45)
Reimbursement of expenses	(-)	(-)	1.86 (1.86)	-	-	(-)	(-)	(-)	(-)	1.86 (1.88)
	2.18 (2.94)	(0.02)	11.35 (11.92)	0.53 (0.51)	-	(-)	(-)	(-)	(-)	14.06 (15.37)
	0.42 (0.55)	-	-	0.39 (0.86)	(-)	(-)	(-)	0.59 (0.18)	(-)	1.40 (1.60)

Notes forming part of the financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

32 B. Transactions with related parties (Contd.)

Nature of transactions	Parent Entities	Subsidiary Company	Associate Company	Fellow Subsidiaries	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 exercise enterprise significant influence	Post employment benefit Trusts	Total
Bad Debts	-	-	-	0.08	-	-	-	-	-	0.08
Technical knowhow	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Group service charges written back	(2.40)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.40)
Remuneration	15.00	-	-	-	-	-	-	-	-	15.00
	(55.85)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(55.85)
Sitting fees paid	-	-	-	-	41.01	-	-	-	-	41.01
	(-)	(-)	(-)	(-)	(33.75)	(-)	(-)	(-)	(-)	(33.75)
Dividend paid	-	-	-	-	1.08	0.24	-	-	-	1.32
	(-)	(-)	(-)	(-)	(1.10)	(0.29)	(-)	(-)	(-)	(1.39)
Commission to Directors	84.67	-	-	-	0.21	0.20	0.72	53.10	-	138.90
	(84.67)	(-)	(-)	(-)	(0.21)	(0.20)	(0.72)	(53.10)	(-)	(138.90)
Contribution of post employment benefits	-	-	-	-	6.50	1.25	-	-	-	7.75
Outstanding balances arising from sales/ purchases of goods and services	(-)	(-)	(-)	(-)	(4.20)	(0.60)	(-)	(-)	(-)	(4.80)
Receivables	-	-	-	-	-	-	-	-	41.19	41.19
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(38.15)	(38.15)
Payables	228.47	-	-	361.02	-	-	-	5.12	-	594.61
	(114.32)	(-)	(-)	(286.95)	(-)	(-)	(-)	(4.55)	(-)	(405.82)
Provision for doubtful debts	564.52	-	21.80	120.81	-	-	-	-	-	707.13
	(337.27)	(-)	(-)	(47.82)	(-)	(-)	(-)	(-)	(-)	(385.09)
Advances	-	-	-	1.07	-	-	-	-	-	1.07
	(-)	(-)	(-)	(1.15)	(-)	(-)	(-)	(-)	(-)	(1.15)
Security deposits	-	-	22.42	5.65	-	-	-	-	-	28.07
	(-)	(-)	(6.47)	(3.98)	(-)	(-)	(-)	(-)	(-)	(10.45)
	-	-	0.12	-	-	-	-	-	-	0.12
	(-)	(-)	(0.12)	(-)	(-)	(-)	(-)	(-)	(-)	(0.12)

Note : Previous year's figures are shown in brackets.

Terms and conditions for outstanding balances

All outstanding balances are unsecured and payable in cash.

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

32 C. Transactions with related parties:

(I) Key management personnel compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Short term employee benefits	41.01	33.75
Post-employment benefits	4.55	3.16
Long term employee benefits	0.92	2.38
Total	46.48	39.29

(II) Material transactions with related parties

Sr. No.	Nature of transactions	Name of the party	Year ended December 31, 2019	Year ended December 31, 2018
1	Purchase of goods	KSB SE & Co. KGaA	211.92	113.08
		KSB S.A.S France	42.19	27.93
		KSB Nederland B.V.	22.69	36.30
		KSB Shanghai Pump Co. Ltd., China	21.87	1.57
2	Sale of goods	KSB SE & Co. KGaA	519.51	224.04
		KSB Singapore (Asia Pacific) PTE Ltd.	102.76	69.71
		KSB Middle East FZE, Dubai	77.19	118.12
		PT. KSB Sales Indonesia	149.84	90.15
3	Income from services	KSB SE & Co. KGaA	20.45	19.22
		KSB Tech Pvt. Ltd., India	9.46	9.46
4	Order cancellation charges received	KSB (Schweiz) AG, Switzerland	-	0.04
		KSB Malaysia Pumps & Valves Sdn. Bhd.	-	0.01
5	Site expenses	KSB SE & Co. KGaA	0.18	3.31
		KSB S.A.S France	-	0.50
		KSB Singapore (Asia Pacific) PTE Ltd.	1.30	-
6	Commission income	KSB SE & Co. KGaA	8.18	7.39
		KSB Service GmbH, Germany	0.06	1.43
7	Commission expenses	PT. KSB Sales Indonesia	-	0.45
		KSB Ltd, Tokyo	6.05	-
		KSB Valves (Changzhou) Co., Ltd., China	0.71	-
8	Group service charges	KSB SE & Co. KGaA	48.00	48.00
9	Dividend received	KSB MIL Controls Limited	21.68	26.09
		Pofran Sales and Agency Limited	3.30	43.00
10	Liquidated damages	KSB Middle East FZE, Dubai	0.67	-
		KSB Valves (Changzhou) Co., Ltd., China	0.35	-
11	Charges paid for technical / professional services	KSB SE & Co. KGaA	106.01	120.86
		KSB Tech Pvt. Ltd., India	14.36	11.96
12	Royalty paid	KSB SE & Co. KGaA	171.98	134.82

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

32 C. Transactions with related parties: (contd.)

(II) Material transactions with related parties (contd.)

Sr. No.	Nature of transactions	Name of the party	Year ended December 31, 2019	Year ended December 31, 2018
13	Warranty charges	KSB S.A.S France	0.77	-
		PT. KSB Sales Indonesia	-	0.32
		KSB Malaysia Pumps & Valves Sdn. Bhd.	-	0.13
		KSB SE & Co. KGaA	0.41	-
14	Rent received	KSB MIL Controls Limited	1.86	1.86
		Pofran Sales and Agency Limited.	-	0.02
15	Recovery of expenses	KSB MIL Controls Limited	11.35	11.92
		KSB SE & Co. KGaA	2.18	2.94
16	Reimbursement of expenses	KSB SE & Co. KGaA	0.42	0.55
		KSB Malaysia Pumps & Valves Sdn. Bhd.	0.03	0.29
		KSB Finanz S.A., Luxembourg	-	0.37
		KSB Middle East FZE, Dubai	0.36	-
		KSB Singapore (Asia Pacific) PTE Ltd.	-	0.16
		Paharpur Cooling Towers Ltd.	0.59	0.18
17	Technical knowhow	KSB SE & Co. KGaA	-	2.40
18	Group service charges Written Back	KSB SE & Co. KGaA	15.00	55.85
19	Remuneration	Mr. Rajeev Jain	41.01	33.75
20	Sitting fees paid	Mr. G. Swarup	0.24	0.29
		Mr. A. R. Broacha	0.01	0.20
		Mr. D. N. Damania	0.24	0.28
		Mr. Pradip Shah	0.22	0.18
		Dr. Stephan Bross	0.18	0.18
		Mr. V. K. Vishwanathan	0.18	0.16
		Ms. Sharmila Roy Chowdhury	0.14	0.03
21	Dividend paid	Canadian Kay Pump Ltd.	84.67	84.67
		The Industrial & Prudential Investment Co. Ltd.	42.84	42.84
22	Commission to Directors	Mr. G. Swarup	1.25	0.60
		Mr. A. R. Broacha	1.00	0.60
		Mr. D. N. Damania	1.00	0.60
		Mr. Pradip Shah	1.00	0.60
		Dr. Stephan Bross	1.00	0.60
		Mr. V. K. Vishwanathan	1.00	0.60
		Dr. Matthias Schmitz	1.00	0.30
23	Contribution to post employment benefits	KSB Pumps Employee's Gratuity Trust	38.14	36.07
		Grade-O-Castings Employee's Gratuity Trust	2.25	2.08
		KSB Pumps (Core Employee's) Superannuation Trust	0.80	-

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

33 Segment reporting

As per Ind AS 108 Operating Segments, when a financial report contains both consolidated financial statements and separate financial statements 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.

34 Fair value measurements

All financial assets (except derivative instruments) and financial liabilities (except derivative liabilities) are measured at amortised cost and derivative instruments are classified as fair value through profit or loss. The fair value is determined using forward exchange rates at the balance sheet date. The instruments fall under level II of the fair value hierarchy as per Ind AS 113 Fair Value Measurements. Level II fair values maximise the use of observable market data and rely as little as possible on entity specific estimates. Significant inputs required to measure a level II fair value are observable. The fair value of all the instruments measured at amortised cost is not materially different from the carrying value of such instruments.

35 Financial risk management

The Company's activities exposes it to market risk, liquidity risk and credit risk. In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are taken. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

The Company's risk management is carried out by the Company's treasury department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) Credit risk

The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments. For banks and other financial institutions, only high rated banks/ financial institutions are accepted. The balances with banks, loans given to employees, security deposits are subject to low credit risk and the risk of default is negligible or nil. Hence, no provision has been created for expected credit loss for credit risk arising from these financial assets.

I Trade receivables

Credit risk arises from the possibility that customer will not be able to settle their obligations as and when agreed. To manage this, the Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts, ageing of accounts receivable and forward looking information. Individual credit limits are set accordingly.

Movement of provision for liquidated damages and provision for doubtful debts:

	Provision for Liquidated damages	Provision for Doubtful debts
Provision as at January 1, 2018	231.69	187.49
Change during the year	30.72	(15.08)
Provision as at December 31, 2018	262.41	172.41
Change during the year	64.37	(8.27)
Provision as at December 31, 2019	326.78	164.14

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying business, the Company's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The financial liabilities as at December 31, 2019 and December 31, 2018 mature within a period of one year.

(C) Market risk

I) Foreign currency risk

The Company is engaged in international trade and thereby exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, EUR, AUD, GBP and CHF. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (INR). The Company's risk management policy is to hedge purchases and sales separately. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

i) Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR million, are as follows :-

	December 31, 2019					December 31, 2018				
	EUR	USD	AUD	GBP	CHF	EUR	USD	AUD	GBP	CHF
Financial assets										
Trade receivables	32.65	643.86	-	-	-	21.23	311.49	-	-	-
Bank balances in EEFC accounts	5.87	91.19	-	-	-	2.27	31.86	-	-	-
Derivative assets - Foreign exchange forward contracts (Sell Foreign Currency)	-	(123.06)	-	-	-	(12.76)	(225.32)	-	-	-
Net exposure to foreign currency risk (assets)	38.52	611.99	-	-	-	10.74	118.03	-	-	-
Financial liabilities										
Trade payables	216.39	97.22	0.94	0.08	0.30	106.06	43.11	1.12	0.58	0.28
Derivative liabilities - Foreign exchange forward contracts (Buy Foreign Currency)	-	-	-	-	-	(13.42)	(22.23)	-	-	-
Net exposure to foreign currency risk (liabilities)	216.39	97.22	0.94	0.08	0.30	92.64	20.88	1.12	0.58	0.28

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

ii) Sensitivity

The sensitivity of profit and loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:

	Impact on profit before tax	
	December 31, 2019	December 31, 2018
EUR sensitivity		
INR/EUR - Increase by 5% (December 31, 2018-5%)*	(8.89)	(4.10)
INR/EUR - Decrease by 5% (December 31, 2018-5%)*	8.89	4.10
USD sensitivity		
INR/USD - Increase by 5% (December 31, 2018-5%)*	25.74	4.86
INR/USD - Decrease by 5% (December 31, 2018-5%)*	(25.74)	(4.86)

* Holding all other variables constant

II) Interest rate risk

The Company's main interest rate risk arises from short term borrowings and deposits taken / placed over a period of time on frequent basis thereby exposing the Company to interest rate risk. The Company's policy is to have fixed interest rate at the time of deal execution.

36 Capital management

a) Risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholders value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and December 31, 2018.

Net debt to equity ratio

	December 31, 2019	December 31, 2018
Net debt	116.49	314.45
Total equity	7,807.14	7,132.55
Net debt to equity ratio	1.49%	4.41%

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

b) Dividends

	December 31, 2019	December 31, 2018
(i) Equity shares		
Final dividend paid for the year ended December 31, 2018 of ₹ 6.00 (December 31, 2017 of ₹ 6.00) per fully paid share	208.85	208.85
Dividend distribution tax on final dividend	42.25	34.09
(ii) Dividends not recognised at the end of the reporting period		
The directors have recommended the payment of a final dividend of ₹ 8.00 per fully paid equity share (December 31, 2018 - ₹ 6.00). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	278.46	208.85
Dividend distribution tax on final dividend	-	42.25

37. Subsequent to the year end, pursuant to certain concerns raised in an internal letter from one of the employee of the Company, an internal investigation has been conducted. The results of the investigations confirmed that an employee of the Company has accepted kickbacks / money from a vendor for certain marketing services amounting to ₹ 11.40 million over the years. The Company has taken appropriate steps like detailed inquiries, obtaining statements from the employee as well as the vendor, verifying available records, etc. The concerned employee has been suspended and a written confirmation and a promissory note has been obtained for recovery of the amount from the employee. The Company has taken steps to strengthen the existing controls and is taking additional steps to evaluate the matter including any additional necessary measures.

38 The list of standards issued but not yet effective:

Following are the pronouncements which have been issued by the Ministry of the Corporate Affairs ('MCA') that are effective from annual periods beginning on and after April 1, 2019 and are applicable to the Company from next year:

a) Ind AS 116- Leases :

The Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 on March 30, 2019. The Rules shall be effective from reporting period beginning on or after April 1, 2019 and cannot be early adopted. The new standard on leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The core objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information is likely to provide a basis to users of financial statements to assess the effect that leases will have on the financial position, financial performance and cash flows of the Company. The new standard increases the focus on which party controls the use of an identified asset. Under Ind AS 17, an arrangement may be a lease when the customer obtains substantially all of the output or other utility of the asset even if the customer does not control the use of the asset. Under the new standard, a lease can exist if, and only if, the customer has the right to both control the use of an identified asset and obtain substantially all of the economic benefits from the use of that asset. This is in contrast to a further aspect of Ind AS 17 under which an arrangement is a lease when the customer has the right to control the use of an identified asset and obtains more than an insignificant amount of the output or other utility of the asset. The new standard provides two optional approaches to transition. They are as follows:

Notes forming part of the financial statements (Contd.)

(All amounts are in INR million, unless otherwise stated)

- a) Full retrospective approach: Under this approach, the lessee applies the new standard retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. For this purpose, the lessee:
 - Applies the new standard to all leases in which it is a lessee
 - Applies the standard retrospectively to each prior period presented
 - Recognizes an adjustment in equity at the beginning of the earliest period presented and
 - Makes the disclosures required by Ind AS 8 on a change in accounting policy.
- b) Modified retrospective approach: Under this approach, a lessee applies the new standard from the beginning of the current period. For this purpose, the lessee:
 - Calculates lease assets and lease liabilities as at the beginning of the current period
 - Does not restate its prior period financial information
 - Recognizes an adjustment in equity at the beginning of the current period and - Makes additional disclosures specified in the standard.

The Company is in the process of evaluating the impact on the financial statements under the new standard. The Company will adopt the standard on January 1, 2020.

- b) Ind AS 12 Income taxes - Appendix C, Uncertainty over Income Tax Treatments :

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition –

- a) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight;
- b) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives. The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on January 1, 2020.

- c) Amendment to Ind AS 12 – Income taxes – Amendments related to income tax consequences of dividend :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company currently evaluating the effect of this amendment on the financial statements.

Notes forming part of the financial statements (Contd.)

d) Amendment to Ind AS 19 – Employee Benefits - Plan amendment, curtailment or settlement :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is in process of evaluating the effect of this on the financials statements and does not expect any material impact from the change.

39 Effective from January 1, 2019, the Company has adopted Ind AS 115 – 'Revenue from Contracts with Customers'. Ind AS 115 replaces existing revenue recognition standards viz Ind AS 18 'Revenue' and Ind AS 11 'Construction Contracts'. Using the modified retrospective approach, there were no material adjustment required to the retained earnings as at January 1, 2019. Also the adoption of the Ind AS 115 did not have any material impact on the recognition and measurement of revenue and related items in the financial results of the company.

40 Events occurring after the reporting period

Refer to note 36 (b) (ii) for the final dividend recommended by the directors which is subject to the approval of shareholders in the ensuing general meeting.

41 Previous year's figures have been regrouped / reclassified wherever considered necessary to conform current year's classification / disclosure.

In terms of our report of even date

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

Neeraj Sharma

Partner

Membership No.: 108391

Mumbai, February 27, 2020

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

Mahesh Bhawe
Company Secretary

Mumbai, February 27, 2020

G. Swarup
Chairman
(DIN : 00374298)

D. N. Damania
Director
(DIN : 00403834)

Rajeev Jain
Managing Director
(DIN : 07475640)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KSB LIMITED
(formerly known as KSB Pumps Limited)

Report on the audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of KSB Limited (formerly known as KSB Pumps Limited) (hereinafter referred to as the "Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") and its associate (refer Note 34 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at December 31, 2019, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at December 31, 2019, of the consolidated total comprehensive income

(comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained, other than the unaudited financial information as certified by the management and referred to in subparagraph 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Appropriateness of Revenue Recognition in accordance with Ind AS 115</p> <p>(Refer to Note 1(e), 2(ii) 19, 34(c) and 41 to the consolidated financial statements)</p> <p>The Group has adopted, Ind AS 115 "Revenue from Contracts with Customers" with effect from January 1, 2019 and accordingly, has reviewed its existing contracts with customers to assess the impact of initial</p>	<p>Our audit procedures included the following :</p> <ul style="list-style-type: none"> • Understanding and evaluation of the design and testing the operating effectiveness of controls surrounding the implementation and recording adjustments arising from the adoption of Ind AS 115. • Reading the terms of a sample of customer contracts for identification of performance obligations in accordance with the Ind AS 115

INDEPENDENT AUDITORS' REPORT (Contd.)

<p>application and recognition of the same in the opening Retained Earnings on the date of transition and application of the Ind AS throughout the year.</p> <p>In carrying out the aforesaid assessment, significant judgement has been applied by the management with respect to:</p> <ul style="list-style-type: none"> • Combining of multiple contracts as single contract. • Identification of distinct performance obligations; • Allocation of consideration to identified performance obligations; • Determination of timing of recognition of revenue either over a period of time or at a point in time on transfer of control to customers. This include assessment of alternative use basis technical analysis as well as legal assessment of right to payment. <p>The transition to and application of Ind AS 115 has been considered as a Key Audit Matter due to significant management judgement involved. In addition, disclosures required under Ind AS 115 have also been identified as an area of focus for audit in the current year.</p>	<p>and comparing those to the management assessment;</p> <ul style="list-style-type: none"> • Assessing appropriateness of management’s judgements and estimates involved in accounting for the sample of customer contracts including the inquiry and discussion with appropriate client personnel especially regarding the nature of products and alternative use to the company. • Evaluation of the in-house legal counsel’s views regarding the Company’s right to payment for performance to date; • Testing the appropriateness of timing of recognition of revenue (including procedures related to cut off) in line with the terms of the customer contracts; • Testing the key assumptions used by the management to estimate contract risks, claims, liquidated damages etc.; • Verifying the reports used by management for monitoring contracts and their progress; • Testing of journal entries for unusual/irregular revenue transactions; • Evaluating appropriateness of the disclosures provided in the financial statements. <p>Based on above procedures, we did not identify any significant exceptions in the judgements applied by the management in recognition of revenue in accordance with Ind AS 115.</p>
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Other Information

5. The Holding Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. The Holding Company’s Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position,

INDEPENDENT AUDITORS' REPORT (Contd.)

consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the company included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

7. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
8. The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of the Group and of its associate.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
10. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
 - (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with

INDEPENDENT AUDITORS' REPORT (Contd.)

reference to financial statements in place and the operating effectiveness of such controls.

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities

included in the consolidated financial statements of which we are the independent auditors.

- 11. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- 14. We did not audit the financial information of subsidiary, whose financial information reflect total assets of ₹ 2.02 million and net assets of ₹ 1.98 million as at December 31, 2019, total revenue of ₹ Nil, total comprehensive income (comprising of loss and other comprehensive loss) of ₹ (0.09) million and net cash flows amounting

INDEPENDENT AUDITORS' REPORT (Contd.)

to ₹ (4.08) million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of total comprehensive income of (comprising of profit and other comprehensive income) of ₹ 54.15 million and ₹(1.34) million for the year ended December 31, 2019 as considered in the consolidated financial statements, in respect of one associate company whose financial information have not been audited by us. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiary and associate company and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiary and associate, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

15. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law maintained by the Holding Company including relevant records

relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records.

- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, dealt with by this Report are in agreement with the relevant books of account and records maintained by the Holding Company including relevant records relating to the preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on December 31, 2019 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on December 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of internal financial controls with reference to financial statements of the Holding company and the operating effectiveness of such controls, refer to our separate report "Annexure A".
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Company (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact, if any, of pending

INDEPENDENT AUDITORS' REPORT (Contd.)

- litigations as at December 31, 2019 on the consolidated financial position of the Group and its associate -Refer Note 17(b), 30(a), 30(b) and 34(d) to the consolidated financial statements.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at December 31, 2019 -Refer Note 6 and 37(c) to the consolidated financial statements in respect of such items as it relates to the Group and its associate and (b) Note 34 the Group's share of net profit in respect of its associates.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended December 31, 2019.
- iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended December 31, 2019.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACK8605

Mumbai, February 27, 2020

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 15(f) of the Independent Auditors' Report of even date to the members of KSB Limited (formerly known as KSB Pumps Limited) on the consolidated financial statements for the year ended December 31, 2019

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Holding Company as of and for the year ended December 31, 2019, we have audited the internal financial controls with reference to financial statements of KSB Limited (formerly known as KSB Pumps Limited) (hereinafter referred to as "the Holding Company"), as of that date.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to financial statements based on

our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to fraud or error may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal

financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACK8605

Mumbai, February 27, 2020

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

- 3(iv) of the said Order are not applicable to the Company.
- i.
 - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
 - (c) The title deeds of immovable properties, as disclosed in Note 3- Property, plant and equipment to the financial statements, are held in the name of the Company.
 - ii. The physical verification of inventory excluding stocks with third parties managed warehouse have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
 - iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
 - v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
 - vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 - vii.
 - (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of employees' state insurance, though there has been a slight delay in a few cases and is regular in depositing undisputed statutory dues, including provident fund, sales tax, income tax, service tax, duty of customs, duty of excise, value added tax, cess goods and service tax with effect from July 1, 2017 and other material statutory dues as applicable, with the appropriate authorities.
 - (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, goods and service-tax, duty of customs, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, service tax, duty of excise, as at December 31, 2019 which have not been deposited on account of a dispute, are as follows:

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

Name of the statute	Nature of dues	Amount (INR in million)	Amount paid under protest (INR in million)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty (including interest and penalty if applicable)	24.33	4.60	Dec-98 to Dec-04	Customs, Excise and Service Tax and Service Tax Tribunal (CESTAT)
Finance Act, 1994	Service Tax (including interest and penalty if applicable)	1.74	1.04	April -08 to Mar-13	
		451.74	9.49	Sept 04 to March 09	
Income Tax Act, 1961	Income Tax (including interest and penalty if applicable)	3.60	-	AY 1989-90	High Court / Commissioner of Income-tax (Appeals) CIT(A) / Income Tax Appellate Tribunal (ITAT)
		5.61	-	AY 1995-96	
		2.88	-	AY 1996-97	
		10.61	-	AY 2009-10	
		5.70	-	AY 2010-11	
		3.21	-	AY 2005-06	
		17.93	-	AY 2011-12	
		27.00	-	AY 2012-13	
		34.32	-	AY 2013-14	
		55.71	-	AY 2014-15	
31.76	-	AY 2015-16			

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date. The Company had not issued any debentures as at balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for an instance of fraud on the Company by an employee of the Company whose has been suspended and for which the Management has taken steps as described in the Note 37 to the standalone financial statements, we have neither come across any other instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our standalone audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

ANNEXURE TO INDEPENDENT AUDITORS' REPORT (Contd.)

- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number:012754N/N500016

Neeraj Sharma
Partner
Membership Number: 108391
UDIN: 20108391AAAACK8605

Mumbai, February 27, 2020

Consolidated Balance Sheet as at December 31, 2019

(All amounts in INR million, unless otherwise stated)

Particulars	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
I. Non-current assets			
Property, plant and equipment	3	3,056.74	3,191.94
Capital work-in-progress	3	344.90	41.38
Intangible assets	4	16.11	18.66
Financial assets			
(a) Investments	5 (a)	644.14	597.72
(b) Loans	5 (b)	80.97	67.87
(c) Trade receivables	6	130.89	99.34
Assets for current tax (net)		157.06	143.07
Deferred tax assets (net)	12 (a)	15.80	65.84
Other non-current assets	10	40.57	210.96
Total non-current assets		4,487.18	4,436.78
II. Current assets			
Inventories	9	3,248.43	3,030.23
Financial assets			
(a) Trade receivables	6	2,961.79	2,907.15
(b) Cash and cash equivalents	7 (a)	483.95	124.33
(c) Bank balances other than (b) above	7 (b)	2,416.50	1,262.58
(d) Loans	5 (b)	21.55	11.98
(e) Other financial assets	8	105.63	48.10
Other current assets	11	632.84	678.35
Total current assets		9,870.69	8,062.72
Total Assets		14,357.87	12,499.50
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	13 (a)	348.08	348.08
Other equity	13 (b)	7,938.59	7,229.56
Total Equity		8,286.67	7,577.64
LIABILITIES			
I. Non-current liabilities			
Provisions	17 (a)	424.40	365.79
Total non-current liabilities		424.40	365.79
II. Current liabilities			
Financial liabilities			
(a) Borrowings	14	600.00	434.26
(b) Trade payables	15		
- Total outstanding dues of micro enterprises and small enterprises		12.24	21.30
- Total outstanding dues of creditors other than micro enterprises and small enterprises		2,543.09	2,155.79
(c) Other financial liabilities	16	703.12	546.17
Other current liabilities	18	1,323.36	971.34
Provisions	17 (b)	451.62	412.02
Current tax liabilities (net)		13.37	15.19
Total current liabilities		5,646.80	4,556.07
Total Liabilities		6,071.20	4,921.86
Total Equity and Liabilities		14,357.87	12,499.50

Summary of significant accounting policies 1

The accompanying notes are an integral part of these financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

For and on behalf of the Board of Directors

Neeraj Sharma
Partner
Membership No.: 108391

Milind Khadilkar
Chief Financial Officer

Mahesh Bhav
Company Secretary

G. Swarup
Chairman
(DIN: 00374298)

D. N. Damania
Director
(DIN: 00403834)

Rajeev Jain
Managing Director
(DIN: 07475640)

Mumbai, February 27, 2020

Mumbai, February 27, 2020

Consolidated Statement of Profit and Loss for the year ended December 31, 2019

(All amounts in INR million, unless otherwise stated)

Particulars	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Income			
Revenue from operations	19	12,939.08	10,930.66
Other income	20	231.33	200.29
Total Income		13,170.41	11,130.95
Expenses			
Cost of materials consumed	21	6,015.78	5,203.55
Purchases of stock-in-trade	22	1,062.39	783.68
Changes in inventories of finished goods, stock-in-trade and work-in-progress	23	(95.11)	(336.54)
Employee benefit expense	24	1,778.89	1,539.66
Finance costs	25	53.12	37.53
Depreciation and amortisation expense	26	457.23	396.67
Other expenses	27	2,674.79	2,456.91
Total Expenses		11,947.09	10,081.46
Profit before share of net profit of associate accounted for using the equity method, exceptional item and tax		1,223.32	1,049.49
Share of net profit of associate accounted for using the equity method		54.15	43.17
Profit before exceptional item and tax		1,277.47	1,092.66
Exceptional item	28	127.42	-
Profit before tax		1,404.89	1,092.66
Income tax expense			
Current tax	12 (b)	337.72	367.52
Deferred tax	12 (a)	59.84	9.07
Total tax expense		397.56	376.59
Profit for the year		1,007.33	716.07
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	31	(70.27)	15.28
Income tax relating to items that will not be reclassified to profit or loss	12 (a)	17.71	(5.34)
Share of Other comprehensive income of associate accounted for using the equity method		(1.34)	(0.78)
Total other comprehensive income for the year, net of tax		(53.90)	9.16
Total comprehensive income for the year		953.43	725.23
Earnings per equity share			
Basic and Diluted (face value of Rs.10/- each)	29	28.94	20.57

Summary of significant accounting policies

1

The accompanying notes are an integral part of these financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

For and on behalf of the Board of Directors

Neeraj Sharma
Partner
Membership No.: 108391

Milind Khadilkar
Chief Financial Officer

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Director
(DIN: 00403834)

Rajeev Jain
Managing Director
(DIN: 07475640)

Mumbai, February 27, 2020

Mumbai, February 27, 2020

Consolidated Statement of Changes in Equity for the year ended December 31, 2019

(All amounts in INR million, unless otherwise stated)

A. Equity Share Capital

	Notes	
As at January 1, 2018		348.08
Change in equity share capital	13 (a)	-
As at December 31, 2018		348.08
Change in equity share capital	13 (a)	-
As at December 31, 2019		348.08

B. Other Equity

	Capital reserve	Capital redemption reserve	Securities premium	General reserve	Amalgamation reserve	Retained earnings	Total
As at January 1, 2018	0.09	0.10	3.20	1,085.97	0.06	5,666.69	6,756.11
Profit for the year	-	-	-	-	-	716.07	716.07
Other Comprehensive Income							
Remeasurement of post employment benefit obligations (net of tax)	-	-	-	-	-	9.16	9.16
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(208.85)	(208.85)
Tax on Dividend	-	-	-	-	-	(42.93)	(42.93)
As at December 31, 2018	0.09	0.10	3.20	1,085.97	0.06	6,140.14	7,229.56

	Capital reserve	Capital redemption reserve	Securities premium	General reserve	Amalgamation reserve	Retained earnings	Total
As at January 1, 2019	0.09	0.10	3.20	1,085.97	0.06	6,140.14	7,229.56
Profit for the year	-	-	-	-	-	1,007.33	1,007.33
Share of associate - adjustment on account of adoption of Ind AS 115- 'Revenue from Contracts with Customers' (net of tax) [Refer note-34C(ii)]	-	-	-	-	-	7.38	7.38
Other Comprehensive Income							
Remeasurement of post employment benefit obligations (net of tax)	-	-	-	-	-	(53.90)	(53.90)
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(208.85)	(208.85)
Tax on Dividend	-	-	-	-	-	(42.93)	(42.93)
As at December 31, 2019	0.09	0.10	3.20	1,085.97	0.06	6,849.17	7,938.59

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. This is the Consolidated Statement of Changes in Equity referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

For and on behalf of the Board of Directors

Neeraj Sharma
Partner
Membership No.: 108391

Milind Khadilkar
Chief Financial Officer

Mahesh Bhawe
Company Secretary

G. Swarup
Chairman
(DIN : 00374298)

D. N. Damania
Director
(DIN : 00403834)

Mumbai, February 27, 2020

Mumbai, February 27, 2020

Rajeev Jain
Managing Director
(DIN : 07475640)

Consolidated Statement of Cash Flows for the year ended December 31, 2019

(All amounts in INR million, unless otherwise stated)

Particulars	Year ended December 31, 2019	Year ended December 31, 2018
A. Cash flow from operating activities		
Profit before tax	1,404.89	1,092.66
Adjustments for :		
Depreciation and amortisation expense	457.23	396.67
Net gain on disposal of property, plant and equipment [Refer note (ii) below]	(128.02)	(4.85)
Finance costs	53.12	37.53
Interest income	(128.60)	(96.12)
Mark to market (gain) / loss on derivative contracts	9.60	(5.13)
Sundry credit balances and provisions no longer required, written back	(29.59)	(62.21)
Unrealised exchange (gain) / loss	(21.09)	9.51
Allowance for doubtful receivables	(7.26)	(9.00)
Share of profit of associates	<u>(54.15)</u>	<u>(43.17)</u>
	<u>151.24</u>	<u>223.23</u>
Operating profit before working capital changes	1,556.13	1,315.89
Adjustment for changes in working capital: (Increase) / decrease in operating assets:		
Inventories	(218.20)	(553.86)
Trade receivables	(56.94)	(385.57)
Loans	(22.67)	4.29
Other assets	226.33	(115.56)
Increase / (decrease) in operating liabilities:		
Trade payables	404.97	456.80
Other financial liabilities	105.61	75.50
Other liabilities	351.73	458.34
Provisions	<u>27.94</u>	<u>(71.55)</u>
	<u>818.77</u>	<u>(131.61)</u>
Cash generated from operations	2,374.90	1184.28
Income taxes paid	(353.53)	(409.34)
Net cash flows generated from operating activities (A)	<u>2,021.37</u>	<u>774.94</u>
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(586.56)	(425.44)
Proceeds from disposal of property, plant and equipment	131.20	6.81
Bank balances not considered as cash and cash equivalents	(1,153.92)	(536.92)
Interest received	63.06	74.39
Income from trade investments (non-current)	<u>21.68</u>	<u>26.09</u>
Net cash flows used in investing activities (B)	(1524.54)	(855.07)

Consolidated Statement of Cash Flows for the year ended December 31, 2019 (Contd.)

(All amounts in INR million, unless otherwise stated)

Particulars	Year ended December 31, 2019	Year ended December 31, 2018
C. Cash flows from financing activities		
Increase in working capital borrowings	165.74	307.92
Finance costs	(53.12)	(37.53)
Dividends paid	(209.15)	(210.12)
Tax on dividend	(42.93)	(42.93)
Net cash flows generated from / (used in) financing activities (C)	(139.46)	17.34
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	357.37	(62.79)
Cash and cash equivalents at the beginning of the year	124.33	187.08
Effects of exchange rate changes on cash and cash equivalents	2.25	0.04
Cash and cash equivalents at the end of the year	<u>483.95</u>	<u>124.33</u>
Cash and cash equivalents at the end of the year include:	As at December 31, 2019	As at December 31, 2018
(a) Cash on hand	0.67	0.47
(b) Balances with banks	483.28	123.86
Cash and cash equivalents at the end of the year [Refer note 7 (a)]	<u>483.95</u>	<u>124.33</u>

Notes:

- (i) Consolidated Statement of Cash Flows has been prepared under the 'Indirect Method' in accordance with 'Ind AS 7: Statement of Cash Flows'.
- (ii) Net gain on disposal of property, plant and equipment for the year ended December 31, 2019 includes gain of ₹ 127.42 million arising from sale of office property located at Mumbai.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

This is the Consolidated Statement of Cash Flows referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership No.: 108391

Mumbai, February 27, 2020

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

Mahesh Bhav
Company Secretary

Mumbai, February 27, 2020

G. Swarup
Chairman
(DIN: 00374298)

D. N. Damania
Director
(DIN: 00403834)

Rajeev Jain
Managing Director
(DIN: 07475640)

Notes forming part of the Consolidated financial statements

(All amounts in INR million, unless otherwise stated)

	<p>Background:</p> <p>KSB Limited (formerly known as KSB Pumps Limited) (the ‘Company’) is a public limited Company domiciled in India with its registered office located at Office No. 601, Runwal R-Square, L.B.S Marg, Mulund (West), Mumbai – 400 080. The Company is listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). 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. CIN of the Company is L29120MH1960PLC011635.</p> <p>The consolidated financial statements comprise the financial statements of KSB Limited and its subsidiary company (jointly referred to as the ‘Group’) and its associate company (Refer Note 34 to the attached consolidated financial statements).</p> <p>The consolidated financial statements have been authorized for issue by the Board of Directors on February 27, 2020.</p>
1.	<p>Significant accounting policies:</p> <p>This note provides a list of the significant accounting policies adopted in the preparation of these Consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.</p>
(a)	<p>Basis of preparation</p> <p>(i) Compliance with Ind AS</p> <p>The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.</p> <p>(ii) Historical cost convention</p> <p>The consolidated financial statements have been prepared on a historical cost basis, except for the following:</p> <ul style="list-style-type: none"> • Certain financial assets and liabilities (including derivative instruments) that are measured at fair value • Defined benefit plans — plan assets measured at fair value; and <p>All assets and liabilities have been classified as current or non-current as per the Group’s operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.</p>
(b)	<p>Principles of consolidation and equity accounting</p> <p>(I) Subsidiaries</p> <p>Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group. The group combines the financial statements of the company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction</p>

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

(All amounts in INR million, unless otherwise stated)

	<p>provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.</p>
(ii)	<p>Associates</p> <p>Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.</p>
(iii)	<p>Equity method</p> <p>Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group. The carrying amount of equity accounted investments are tested for impairment in accordance with the policy of the Group.</p>
(c)	<p>Segment reporting</p> <p>Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Group's board of directors. Refer note 33 for segment information presented.</p>
(d)	<p>Foreign currency translation</p>
(i)	<p>Functional and presentation currency</p> <p>Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Indian rupee (INR), which is the Group's functional and presentation currency.</p>
(ii)	<p>Transactions and balances</p> <p>Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in profit and loss and are presented in the Consolidated Statement of Profit and Loss on a net basis.</p>
(e)	<p>Revenue recognition</p> <p>Ind AS 115 Revenue from contracts with customers has been issued with effect from April 1, 2018. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised</p>

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

(All amounts in INR million, unless otherwise stated)

good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

A new five-step process must be applied before revenue can be recognised:

- (i) identify contracts with customers
- (ii) identify the separate performance obligation
- (iii) determine the transaction price of the contract
- (iv) allocate the transaction price to each of the separate performance obligations, and
- (v) recognise the revenue as each performance obligation is satisfied.

(i) Revenue from sale of goods

The Group accounts for a contract when it has approval and commitment from parties involved, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Group generate revenue from sale of Pumps, valves and related support services. The Group may promise to provide distinct goods or services within a contract, for example when a contract covers multiple promises (e.g., supply of pumps, motors and spares), in which case the Group separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Group allocates the total transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Group uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

The Group assesses for the timing of revenue recognition in case of each distinct performance obligation. The Group first assesses whether the revenue can be recognized over time as it performs if any of the following criteria is met:

- (a) The customer simultaneously consumes the benefits as the Group performs, or
- (b) The customer controls the work-in-progress, or
- (c) The Group's performance does not create an asset with alternative use to the Group and the Group has right to payment for performance completed till date

If none of the criteria above are met, the Group recognizes revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Group also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred.

The Group uses input method to measure the progress for contracts because it best depicts the transfer of control to the customer which occurs as it incurs costs on contracts. Under the input method measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

Due to the nature of the work required to be performed on performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. It is common for project contracts to contain penalties, bonuses or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon

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

(All amounts in INR million, unless otherwise stated)

	<p>achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion.</p> <p>The Group estimates variable consideration using expected value method of probability-weighted values at an amount to which it expects to be entitled. The Group includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.</p> <p>Contracts are modified to account for changes in contract specifications and requirements. The Group considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.</p> <p>When estimates of total costs to be incurred exceed total estimates of revenue to be earned on a performance obligation related to a contract, a provision for the entire loss on the performance obligation is recognized in the period.</p> <p>Revenue recognised at a point-in-time</p> <p>For sale of products, revenue is recognised at point in time when control of goods is transferred to the customer - based on delivery terms, payment terms, customer acceptance and other indicators of control as mentioned above.</p> <p>Revenue from services is recognised in the accounting period in which the services are rendered.</p> <p>(ii) Other operating revenue</p> <p>Revenue comprising of income from ancillary activities incidental to the operations of the Group is recognized when the right to receive the income is established as per the terms of the contract. Revenue from export incentives majorly comprises of duty drawback and MEIS incentives which are recognised on an accrual basis at specified rates.</p> <p>(iii) Other Income</p> <p>Interest income</p> <p>Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the Consolidated Statement of Profit and Loss.</p> <p>Dividends</p> <p>Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.</p> <p>(f) Income tax</p> <p>The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.</p>
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Notes forming part of the Consolidated financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

	<p>The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.</p> <p>Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.</p> <p>Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.</p> <p>Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.</p> <p>Current and deferred tax is recognised in Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.</p>
(g)	<p>Government Grants</p> <p>Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.</p> <p>When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.</p> <p>The Group accounts for the interest paid at concessional rate on packing credit facility availed for export of goods.</p>
(h)	<p>Leases</p> <p>As a lessee</p> <p>Leases of property, plant and equipment, where the Group, as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are recognized 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> <p>Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Consolidated Statement of Profit and Loss on a straight-line basis over the period of the lease, unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase.</p>

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

(All amounts in INR million, unless otherwise stated)

(i)	<p>Impairment of assets</p> <p>The management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. If an asset is impaired, the Group recognises an impairment loss as the excess of the carrying amount of the asset over the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.</p>
(j)	<p>Cash and cash equivalents</p> <p>For the purpose of presentation in the Consolidated Statement of Cash Flows, Cash and cash equivalents include Cash on hand and Demand deposits with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in Current liabilities in the Consolidated Balance Sheet.</p>
(k)	<p>Trade receivables</p> <p>Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.</p>
(l)	<p>Borrowing costs</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>
(m)	<p>Inventories</p> <p>Inventories are stated at 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. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.</p>
(n)	<p>Financial assets</p> <p>(i) Classification</p> <p>The Group classifies its financial assets in the following measurement categories:</p> <ul style="list-style-type: none"> • those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and • those measured at amortised cost. <p>The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.</p> <p>For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.</p> <p>The Group reclassifies debt investments when and only when its business model for managing those assets changes.</p>

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

(All amounts in INR million, unless otherwise stated)

(ii)	<p>Measurement</p> <p>At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Consolidated Statement of Profit and Loss.</p> <p>Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.</p> <p>Debt instruments</p> <p>Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follows:</p> <ul style="list-style-type: none"> • Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method. <p>Equity instruments</p> <p>The Group subsequently measures equity investment at fair value. The Group's Management elects to present fair value gains and losses on equity investments in other comprehensive income on an instrument by instrument basis.</p>
(iii)	<p>Impairment of financial assets</p> <p>The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer note 37(A) for details of credit risk.</p> <p>For trade receivables, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.</p>
(iv)	<p>Derecognition of financial assets</p> <p>A financial asset is derecognised only when</p> <ul style="list-style-type: none"> • The Group has transferred the rights to receive cash flows from the financial asset or • retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. <p>Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised. Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.</p>

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

(All amounts in INR million, unless otherwise stated)

(o)	<p>Derivatives</p> <p>The Group enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss.</p>												
(p)	<p>Offsetting financial instruments</p> <p>Financial assets and liabilities are offset and the net amount is reported in the Consolidated Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party.</p>												
(q)	<p>Property, plant and equipment</p> <p>Freehold land is stated at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.</p> <p>Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.</p> <p>Depreciation methods, estimated useful lives and residual value</p> <p>Depreciation is provided on the straight-line method/ written down value method over the useful lives of assets which has been assessed as under the technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, maintenance support, etc., which are different from those prescribed in Schedule II to the Companies Act, 2013 (Act) except for server and networking (SLM) and furniture and fixtures (WDV) which are same as prescribed in Schedule II to the Act. Estimated useful lives of assets are as follows:</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Useful life</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>43 to 90 years (WDV)</td> </tr> <tr> <td>Plant and machinery</td> <td>09 to 21 years (SLM)</td> </tr> <tr> <td>Vehicles</td> <td>05 to 11 years (WDV)</td> </tr> <tr> <td>Office equipments</td> <td>10 years (SLM)</td> </tr> <tr> <td>Computer equipments</td> <td>06 years (SLM)</td> </tr> </tbody> </table> <p>The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold land and assets taken on lease are amortized over the period of the lease.</p> <p>The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of the reporting period.</p> <p>An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.</p> <p>Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/ other expenses respectively.</p>	Asset	Useful life	Buildings	43 to 90 years (WDV)	Plant and machinery	09 to 21 years (SLM)	Vehicles	05 to 11 years (WDV)	Office equipments	10 years (SLM)	Computer equipments	06 years (SLM)
Asset	Useful life												
Buildings	43 to 90 years (WDV)												
Plant and machinery	09 to 21 years (SLM)												
Vehicles	05 to 11 years (WDV)												
Office equipments	10 years (SLM)												
Computer equipments	06 years (SLM)												

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

(All amounts in INR million, unless otherwise stated)

(r)	<p>Intangible assets</p> <p>Intangible assets are stated at acquisition cost net of tax/ duty credits availed, if any, and net of accumulated amortisation. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Consolidated Statement of Profit and Loss. Intangible assets are amortized on the straight line method as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Asset</th> <th style="text-align: left;">Useful life</th> </tr> </thead> <tbody> <tr> <td>Rights, techniques, process</td> <td>7 to 10 years</td> </tr> <tr> <td>Software</td> <td>3 years</td> </tr> </tbody> </table>	Asset	Useful life	Rights, techniques, process	7 to 10 years	Software	3 years
Asset	Useful life						
Rights, techniques, process	7 to 10 years						
Software	3 years						
(s)	<p>Trade and other payables</p> <p>These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are unsecured and are presented as current liabilities unless payment is not due within operating cycle determined by the Group after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.</p>						
(t)	<p>Provisions and Contingent liabilities</p> <p>Provisions are recognised when the Group has a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on the best estimate required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. Provisions are not recognised for future operating losses. Provision for warranty is computed as a percentage of sales based on the past trends observed.</p> <p>Contingent liabilities are disclosed by way of a note to the consolidated financial statements when there is a possible obligation arising from past events, 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 Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.</p>						
(u)	<p>Employee benefits</p> <p>(i) Short-term obligations</p> <p>Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Consolidated Balance Sheet.</p> <p>(ii) Other long-term employee benefit obligations</p> <p>The liabilities for privileged leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the Consolidated Balance Sheet if the entity does not have an unconditional right to defer</p>						

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

(All amounts in INR million, unless otherwise stated)

	<p>settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.</p> <p>(iii) Post-employment obligations</p> <p>The Group operates the following post-employment schemes:</p> <p>(a) Defined benefit plans - gratuity and superannuation</p> <p>(b) Defined contribution plans - provident fund</p> <p>(a) Gratuity</p> <p>The Group provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.</p> <p>The liability or asset recognised in the Consolidated Balance Sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.</p> <p>The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.</p> <p>The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance cost in the Consolidated Statement of Profit and Loss.</p> <p>Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Balance Sheet.</p> <p>Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.</p> <p>(b) Superannuation</p> <p>Superannuation is a benefit to certain employees (depending on the grade/ category of the employee and completed years of service) per month for each completed year of service.</p> <p>Defined Contribution Plans</p> <p>The Group pays provident fund contributions for all employees to publicly administered provident funds as per local regulations. The Group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.</p> <p>(v) Contributed equity</p> <p>Equity shares are classified as equity.</p> <p>Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.</p>
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Notes forming part of the Consolidated financial statements (Contd.)

(All amounts in INR million, unless otherwise stated)

(w)	<p>Earnings per share</p> <p>(i) Basic Earnings per share</p> <p>Basic earnings per share is calculated by dividing the Profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the financial year. Earnings considered in ascertaining the Group's earnings per share is the net profit for the period after deducting any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.</p> <p>(ii) Diluted Earnings per share</p> <p>For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.</p>
(x)	<p>Rounding of amounts:</p> <p>All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated.</p>
2.	<p>Significant accounting judgements, estimates and assumptions</p> <p>The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.</p> <p>Judgements</p> <p>In the process of applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:</p> <p>(i) Legal contingencies</p> <p>The Group has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Group or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.</p> <p>(ii) Revenue from Contracts with customers</p> <p>Group generate revenue from sale of Pumps, valves and related support services. Group uses judgement with respect to accounting of multiple contracts which need to be combined and considered as single contract. The Group exercises judgement with respect to identifying contracts for which revenue need to be recognised point in time or over a period of time, depending upon when customer consumes the benefit, when the control is passed to customer, whether asset created has an alternative use and whether the Group has right to payment for performance completed till date, either contractually or legally.</p>

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

(All amounts in INR million, unless otherwise stated)

<p>Estimates and assumptions</p> <p>The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.</p> <p>(I) Warranty</p> <p>The Group generally offers an 18 months warranty for its products. Warranty costs are determined as a percentage of sales based on the past trends of the costs required to be incurred for repairs, replacements, material costs and servicing cost. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. As the time value of money is not considered to be material, warranty provisions are not discounted. Refer note 17 for further information.</p> <p>(ii) Gratuity</p> <p>The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2012-14) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. For further details about gratuity obligations are given in note 31.</p> <p>(iii) Recoverability of trade receivables</p> <p>Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment. Refer note 37 A for further details.</p> <p>(iv) Inventories</p> <p>An inventory provision is recognized for cases where the realizable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sale prices of inventory item and losses associated with obsolete / slow moving / redundant inventory items. The Group has, based on these assessments, made adequate provision in the books.</p>

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

(All amounts are in INR million, unless otherwise stated)

3 Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Development of property	Total	Capital work-in-progress
Gross carrying amount as at										
January 1, 2018	3.01	265.15	1,455.51	3,958.33	105.06	70.17	128.63	0.04	5,985.90	40.92
Additions	-	-	237.03	221.74	19.73	11.27	25.84	-	515.61	0.46
Disposals	-	-	-	(50.16)	(0.02)	(12.08)	(1.74)	-	(64.00)	-
Gross carrying amount as at	3.01	265.15	1,692.54	4,129.91	124.77	69.36	152.73	0.04	6,437.51	41.38
December 31, 2018	-	8.58	438.78	2,266.85	90.38	45.50	72.27	0.04	2,922.40	-
Accumulated depreciation	-	2.81	101.40	252.93	7.42	10.98	9.67	-	385.21	-
Charge for the year	-	-	-	(49.06)	(0.02)	(11.58)	(1.38)	-	(62.04)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation as at December 31, 2018	-	11.39	540.18	2,470.72	97.78	44.90	80.56	0.04	3,245.57	-
Net carrying amount as at	3.01	253.76	1,152.36	1,659.19	26.99	24.46	72.17	-	3,191.94	41.38
December 31, 2018										
	Freehold land	Leasehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Development of property	Total	Capital work-in-progress
Gross carrying amount as at										
January 1, 2019	3.01	265.15	1,692.54	4,129.91	124.77	69.36	152.73	0.04	6,437.51	41.38
Additions	-	-	80.37	192.06	9.75	14.77	15.11	-	312.06	303.52
Disposals	-	-	(1.86)	(38.52)	(0.93)	(14.67)	(1.45)	-	(57.43)	-
Gross carrying amount as at	3.01	265.15	1,771.05	4,283.45	133.59	69.46	166.39	0.04	6,692.14	344.90
December 31, 2019	-	11.39	540.18	2,470.72	97.78	44.90	80.56	0.04	3,245.57	-
Accumulated depreciation	-	2.81	116.83	245.39	12.35	14.10	12.20	-	403.68	-
Charge for the year	-	-	-	40.40	-	-	-	-	40.40	-
Impairment loss [Refer note (iii) below]	-	-	(1.63)	(36.39)	(0.93)	(13.95)	(1.35)	-	(54.25)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation as at December 31, 2019	-	14.20	655.38	2,720.12	109.20	45.05	91.41	0.04	3,635.40	-
Net carrying amount as at	3.01	250.95	1,115.67	1,563.33	24.39	24.41	74.98	-	3,056.74	344.90
December 31, 2019										

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

(All amounts in INR million, unless otherwise stated)

Notes:

- i. Refer to note 30 (c) for disclosure of contractual commitments for the acquisition of property, plant and equipment.
- ii. Leasehold land mainly pertains to manufacturing plant located at Shirwal.
- iii. Impairment loss relates to plant and machinery which, based on the technical assessment done by the Group, are not in use and the likelihood of using these assets in foreseeable future is remote. The net carrying amount of these assets has been recognised as impairment loss in the Consolidated Statement of Profit and Loss under the head 'Depreciation and amortisation expense'.
- iv. Disposals for the year ended December 31, 2019 include the sale of office property held at Mumbai (Refer note 28).
- v. Capital work-in-progress mainly includes building under construction and plant and machinery in the process of installation.
- vi. The additions to capital work-in-progress are net after considering the transfers to property, plant and equipment. Gross additions to capital work-in-progress and transfers to property, plant and equipment are as follows:

	Capital work-in-progress	
	As at December 31, 2019	As at December 31, 2018
Opening carrying value	41.38	40.92
Additions	600.81	504.80
Transfers to property, plant and equipment	(297.29)	(504.34)
Closing carrying value	<u>344.90</u>	<u>41.38</u>

4 Intangible Assets

	Copyrights, patents and other intellectual property rights, services and operating rights	Computer software	Total
Gross carrying amount as at January 1, 2018	59.26	65.64	124.90
Additions	-	11.63	11.63
Gross carrying amount as at December 31, 2018	59.26	77.27	136.53
Accumulated Amortisation			
Balance as at January 1, 2018	54.24	52.17	106.41
Amortisation charge for the year	1.17	10.29	11.46
Closing accumulated amortisation as at December 31, 2018	55.41	62.46	117.87
Net carrying amount as at December 31, 2018	<u>3.85</u>	<u>14.81</u>	<u>18.66</u>
	Copyrights, patents and other intellectual property rights, services and operating rights	Computer software	Total
Gross carrying amount as at January 1, 2019	59.26	77.27	136.53
Additions	-	10.60	10.60
Gross carrying amount as at December 31, 2019	59.26	87.87	147.13
Accumulated Amortisation			
Balance as at January 1, 2019	55.41	62.46	117.87
Amortisation charge for the year	1.16	11.99	13.15
Closing accumulated amortisation as at December 31, 2019	56.57	74.45	131.02
Net carrying value as at December 31, 2019	<u>2.69</u>	<u>13.42</u>	<u>16.11</u>

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

(All amounts in INR million, unless otherwise stated)

5 (a) Investments

	As at December 31, 2019	As at December 31, 2018
Investment in associate	644.14	597.72
KSB MIL Controls Ltd. - 735,000 equity shares (December 31, 2018 - 735,000) equity shares of ₹ 10 each fully paid		
Investment in equity instruments of other entities	0.40	0.40
Mula Pravara Electric Co - operative Society Ltd. - 15,995 equity shares (December 31, 2018 - 15,995) equity shares of ₹ 25 each fully paid		
Total	<u>644.54</u>	<u>598.12</u>
Less : Aggregate amount of provision for impairment in the value of investments	(0.40)	(0.40)
Total Investments	<u>644.14</u>	<u>597.72</u>
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	644.54	598.12

5 (b) Loans

	As at December 31, 2019	As at December 31, 2018
Non-current		
Unsecured, considered good		
Loans to employees	44.31	35.45
Security deposits	36.66	32.42
Unsecured, considered doubtful		
Security deposits	<u>5.30</u>	<u>5.30</u>
	86.27	73.17
Less: Provision for doubtful security deposits	(5.30)	(5.30)
Total	<u>80.97</u>	<u>67.87</u>
Current		
Unsecured, considered good		
Loans and advances to employees	<u>21.55</u>	<u>11.98</u>
Total	<u>21.55</u>	<u>11.98</u>

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

(All amounts in INR million, unless otherwise stated)

6 Trade receivables

	As at December 31, 2019	As at December 31, 2018
Trade receivables	2,988.99	3,035.49
Receivables from related parties (Refer note 32)	594.61	405.82
	<u>3,583.60</u>	<u>3,441.31</u>
Less: Provision for liquidated damages	(326.78)	(262.41)
Less: Allowance for doubtful debts	(164.14)	(172.41)
Total	<u>3,092.68</u>	<u>3,006.49</u>
Current portion	2,961.79	2,907.15
Non-current portion	130.89	99.34
Break-up of security details		
	As at December 31, 2019	As at December 31, 2018
Trade receivables considered good - Unsecured	3,092.68	3,006.49
Trade receivables - credit impaired	490.92	434.82
	<u>3,583.60</u>	<u>3,441.31</u>
Less: Provision for liquidated damages	(326.78)	(262.41)
Less: Allowance for doubtful debts	(164.14)	(172.41)
Total	<u>3,092.68</u>	<u>3,006.49</u>

7 (a) Cash and cash equivalents

	As at December 31, 2019	As at December 31, 2018
Balances with banks		
In current accounts	386.22	89.72
In EEFC accounts	97.06	34.14
Cash on hand	0.67	0.47
Total	<u>483.95</u>	<u>124.33</u>

7 (b) Bank balances other than 7 (a) above

	As at December 31, 2019	As at December 31, 2018
Balances with banks		
- in deposits with original maturity of more than three but less than twelve months*	2,413.30	1,259.08
In earmarked accounts		
Unpaid dividend accounts	3.20	3.50
Total	<u>2,416.50</u>	<u>1,262.58</u>

*Includes ₹ 431.98 million (December 31, 2018: ₹ 473.74 million) held as lien by bank against credit facilities.

8 Other financial assets-current

	As at December 31, 2019	As at December 31, 2018
Interest accrued on deposits with banks	105.63	40.09
Derivative asset	-	8.01
Total	<u>105.63</u>	<u>48.10</u>

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

(All amounts in INR million, unless otherwise stated)

9 Inventories

	As at December 31, 2019	As at December 31, 2018
Raw materials (includes in transit ₹ 62.51 million; December 31, 2018 : ₹ 62.11 million)	1,012.48	883.39
Work-in-progress	1,523.95	1,410.59
Finished goods (includes in transit ₹ 116.67 million; December 31, 2018 : ₹ 88.98 million)	544.92	542.99
Stock-in-trade	119.41	139.59
Stores and spares	42.47	46.64
Loose tools	5.20	7.03
Total	<u>3,248.43</u>	<u>3,030.23</u>

10 Other non-current assets

	As at December 31, 2019	As at December 31, 2018
Capital advances	31.75	21.32
Advances other than capital advances		
Prepaid expenses	1.83	2.12
Balances with government authorities		
Considered good	6.99	187.52
Considered doubtful	3.72	6.25
	<u>10.71</u>	<u>193.77</u>
Less: Provision for doubtful balances	<u>(3.72)</u>	<u>(6.25)</u>
	<u>6.99</u>	<u>187.52</u>
Total	<u>40.57</u>	<u>210.96</u>

11 Other current assets

	As at December 31, 2019	As at December 31, 2018
Prepaid expenses	6.72	6.86
Advances to related parties (Refer note 32)	28.07	10.45
Balances with government authorities		
Considered good	310.47	444.44
Considered doubtful	7.48	7.48
	<u>317.95</u>	<u>451.92</u>
Less: Provision for doubtful balance	<u>(7.48)</u>	<u>(7.48)</u>
	<u>310.47</u>	<u>444.44</u>
Others*		
Considered good	287.58	216.60
Considered doubtful	11.59	11.59
	<u>299.17</u>	<u>228.19</u>
Less: Provision for doubtful balances	<u>(11.59)</u>	<u>(11.59)</u>
	<u>287.58</u>	<u>216.60</u>
Total	<u>632.84</u>	<u>678.35</u>

*Others includes advances paid to suppliers which would be subsequently settled against purchases and export incentives receivable.

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

(All amounts in INR million, unless otherwise stated)

12 (a) Deferred tax assets

The balance of deferred tax comprises temporary differences attributable to:

	As at December 31, 2019	As at December 31, 2018
Deferred tax assets		
Provision for compensated absences and gratuity	116.04	142.81
Provision for doubtful debts and advances	48.48	73.75
Fair value loss on derivative instruments	0.40	-
Others (including allowances on payment basis)	60.73	79.40
	<u>225.65</u>	<u>295.96</u>
Deferred tax liabilities		
Accelerated depreciation for tax purposes	106.41	131.79
Fair value gain on derivative instruments	-	2.80
Unremitted earnings of associate	103.44	95.53
	<u>209.85</u>	<u>230.12</u>
Deferred tax assets (net)	<u>15.80</u>	<u>65.84</u>

Changes in Deferred tax assets/ (liabilities) in Consolidated Statement of profit and loss [(charged)/ credited during the year]

	Year Ended December 31, 2019	Year Ended December 31, 2018
Provision for compensated absences and gratuity	(26.77)	1.00
Provision for doubtful debts and advances	(25.27)	(1.87)
Accelerated depreciation for tax purposes	25.38	(6.37)
Fair value of derivative instruments	3.20	2.55
Others	(18.67)	(9.72)
Total	<u>(42.13)</u>	<u>(14.41)</u>

12 (b) Income taxes

The major components of income tax expense for the year ended December 31, 2019 and December 31, 2018 are:

Consolidated Statement of Profit and Loss

	Year ended December 31, 2019	Year ended December 31, 2018
Current income tax charge		
Current income tax		
- Current tax on profit for the current year	351.84	366.23
- Adjustments for current tax of prior periods	(14.12)	1.29
Deferred tax	59.84	9.07
Income tax expense reported in the Consolidated Statement of Profit and Loss	<u>397.56</u>	<u>376.59</u>

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

(All amounts in INR million, unless otherwise stated)

	Year ended December 31, 2019	Year ended December 31, 2018
Other comprehensive income section		
Deferred tax related to remeasurement of post-employment benefit obligations	17.71	(5.34)
Current tax related to remeasurement of post-employment benefit obligations	-	-
Income tax charged to Other comprehensive income	<u>17.71</u>	<u>(5.34)</u>
Movement in income tax (assets) / liabilities (net)		
	As at December 31, 2019	As at December 31, 2018
Opening balance [payable/ (receivable)]	(127.88)	(86.06)
Add : Current tax payable (including tax for prior period)	337.72	367.52
Less : Taxes paid (including tax paid for prior period)	(353.53)	(409.34)
Closing balance [payable/ (receivable)]	<u>(143.69)</u>	<u>(127.88)</u>

Reconciliation of tax expense and accounting profit multiplied by statutory income tax rate :

	Year ended December 31, 2019	Year ended December 31, 2018
Accounting profit before tax (after share of profit of associate and exceptional item)	1,404.89	1,092.66
Tax at statutory income tax rate of 25.17%* (2018: 34.94%)	353.61	381.82
Reduction in statutory income tax rate-reversal of deferred tax assets	40.74	-
Impact of higher tax rate for the quarter ended March 31, 2019 (34.94%)	23.76	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
- Donations	2.90	2.80
- Other items	4.30	6.31
Adjustments for current-tax of prior periods	(14.12)	0.75
Share of profit of associate	(13.63)	(15.09)
Income tax expense	<u>397.56</u>	<u>376.59</u>

* Pursuant to the announcement made by the Finance Ministry of the Government of India on September 20, 2019, the Group has opted for a lower corporate tax rate as per section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation laws (Amendment) Ordinance, 2019 from financial year 2019-20 onwards. Accordingly, the Group has recognised provision for income tax and remeasured the Deferred Tax Assets basis the revised lower tax rate and the impact of the same has been recognised in the year ended December 31, 2019.

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

(All amounts in INR million, unless otherwise stated)

13 (a) Equity share capital

	As at December 31, 2019	As at December 31, 2018
Authorised equity share capital :		
40,000,000 (December 31, 2018: 40,000,000)	400.00	400.00
Equity shares of ₹ 10 each		
Total	<u>400.00</u>	<u>400.00</u>
Issued, subscribed and paid up :		
34,807,844 (December 31, 2018: 34,807,844)	348.08	348.08
Equity shares of ₹ 10 each		
Total	<u>348.08</u>	<u>348.08</u>

(i) Reconciliation of number of equity shares

	As at December 31, 2019	As at December 31, 2018
Shares outstanding at the beginning and end of the year	3,48,07,844	3,48,07,844

(ii) Rights, preferences and restrictions attached to equity shares

There is only one class of shares referred to as equity shares having a face value of ₹ 10/- per share. Each equity shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation of the Group, the equity shareholders will be entitled to receive any of the remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Shares held by Holding Company/ Ultimate Holding Company and/ or their Subsidiaries/ Associates

	As at December 31, 2019	As at December 31, 2018
Canadian Kay Pump Ltd. (Holding Company)	1,41,10,848	1,41,10,848

(iv) Details of equity shares held by shareholders holding more than 5% of the aggregate equity shares in the Company

Name of the shareholder	As at December 31, 2019		As at December 31, 2018	
	% holding	No. of shares	% holding	No. of shares
Canadian Kay Pump Ltd.	40.54%	1,41,10,848	40.54%	1,41,10,848
The Industrial & Prudential Investment Co. Ltd.	20.51%	71,40,000	20.51%	71,40,000
Reliance Capital Trustee Company Ltd. (held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	5.56%	19,34,775	6.89%	23,96,693

(v) There were neither shares bought back nor allotted either as fully paid bonus shares or under any contract without payment being received in cash, during the five years immediately preceding December 31, 2019.

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

(All amounts in INR million, unless otherwise stated)

13 (b) Other equity

(i) Retained earnings

	As at December 31, 2019	As at December 31, 2018
Opening balance	6,140.14	5,666.69
Net profit for the year	1,007.33	716.07
	<u>7,147.47</u>	<u>6,382.76</u>
Less: Dividend paid (including tax thereon)	(251.78)	(251.78)
Share of associate - adjustment on account of adoption Ind AS 115 – ‘Revenue from Contracts with Customers’ (net of tax) [Refer note - 34C(ii)]	7.38	-
Items of other comprehensive income recognised directly in retained earnings	(53.90)	9.16
Remeasurement of post-employment benefit obligations (net of tax)		
Closing Balance	<u>6,849.17</u>	<u>6,140.14</u>
Total Retained earnings	<u><u>6,849.17</u></u>	<u><u>6,140.14</u></u>

(ii) Other reserves

	As at December 31, 2019	As at December 31, 2018
Capital reserve [Refer note (i)]	0.09	0.09
Capital redemption reserve [Refer note (i)]	0.10	0.10
Securities premium [Refer note (i)]	3.20	3.20
General reserve [Refer note (ii)]	1,085.97	1,085.97
Amalgamation reserve [Refer note (i)]	0.06	0.06
Total Other reserves	<u>1,089.42</u>	<u>1,089.42</u>
Total Other equity	<u><u>7,938.59</u></u>	<u><u>7,229.56</u></u>

Nature and purpose of Other reserves:

- (i) These reserves pertain to reserve arising on amalgamations in the past, which is required to be statutorily maintained and cannot be distributed to the shareholders.
- (ii) This reserve represents amounts transferred from retained earnings in earlier years as per the requirements of the erstwhile Companies Act, 1956. The reserve is a free reserve.

14 Current borrowings

	As at December 31, 2019	As at December 31, 2018
Working capital facilities from banks (secured)	-	100.14
Working capital facilities from banks (unsecured)	600.00	334.12
Total	<u><u>600.00</u></u>	<u><u>434.26</u></u>

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

(All amounts in INR million, unless otherwise stated)

Terms of repayment for borrowings

Particulars	Terms of repayment	As at December 31, 2019	As at December 31, 2018
Working capital facilities from banks (secured) [Refer note - (i) below]	Repayable within one year at average interest rate 7.5 - 9.5 % p.a.	-	100.14
Working capital facilities from banks (unsecured) [Refer note - (ii) below]	Repayable within six months at average interest rate 5 - 7 % p.a.	600.00	334.12
	Total	600.00	434.26

Notes :

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

Particulars	Nature of security	As at December 31, 2019	As at December 31, 2018
Working Capital Facility	Pledge of Fixed Deposits of ₹ 431.98 Million (December 31, 2018 : ₹ 473.74 Million)	-	100.14
	Total	-	100.14

(ii) Export packing credit has been obtained by the Group at a concessional rate of interest ranging from 5 to 7% p.a repayable within six months from the date of drawdown.

Net debt reconciliation

	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	483.95	124.33
Liquid investments	2,413.30	1,259.08
Current borrowings	(600.00)	(434.26)
	Net debt	
	2,297.25	949.15

15 Trade payables

	As at December 31, 2019	As at December 31, 2018
Total outstanding dues of micro enterprises and small enterprises	12.24	21.30
Total outstanding dues of creditors other than micro enterprises and small enterprises		
(i) Related parties (Refer note 32)	707.13	385.09
(ii) Others	1,835.96	1,770.70
	Total	
	2,555.33	2,177.09

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

(All amounts in INR million, unless otherwise stated)

Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Group has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The information as required to be disclosed under MSMED Act has been determined to the extent such parties have been identified on the basis of information available with the Group.

Sr. No.	Particulars	December 31, 2019	December 31, 2018
a)	i) The principal amount remaining unpaid to any supplier as at the year end	0.92	21.30
	ii) The interest due remaining unpaid to any supplier as at the year end	-	0.34
b)	The amount of interest paid under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	1.83	3.01
d)	The amount of interest accrued and remaining unpaid as at the year end	11.32	9.83
e)	The amount of further interest due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

16 Other financial liabilities-current

	As at December 31, 2019	As at December 31, 2018
Security deposits	107.06	91.81
Unclaimed dividend	3.20	3.50
Payable for purchase of property, plant and equipment	177.38	127.33
Derivative liability	1.59	-
Dealer incentive schemes	322.44	239.26
Payable to employees	91.45	71.14
Liquidated damages	-	13.13
Total	703.12	546.17

17(a) Non-current provisions

	As at December 31, 2019	As at December 31, 2018
Provision for employee benefits (Refer note 31)	379.21	342.40
Provision for warranty [Refer note (ii) below]	45.19	23.39
Total	424.40	365.79

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

(All amounts in INR million, unless otherwise stated)

17 (b) Current provisions

	As at December 31, 2019	As at December 31, 2018
Provision for employee benefits [Refer note (i) below]	256.56	208.65
Provision for warranty [Refer note (ii) below]	33.36	46.79
Provision for litigations / contingencies [Refer note (iii) below]	161.70	156.58
Total	<u>451.62</u>	<u>412.02</u>

Notes :

- (i) Includes provision for employee bonus and incentives. For details of gratuity, superannuation and compensated absences, refer note 31.
- (ii) The Group offers warranty for its products. Provision for warranty is computed as a percentage of sales based on the past trends observed. The time value of money is considered to be not material and hence the provisions are not discounted. It is expected that this expenditure will be incurred over the contractual warranty period.
- (iii) Provision is towards contingencies in respect of disputed claims against the Group, the quantum of outflow and timing of which is presently unascertainable.

Movement in provisions

	Provision for warranty	Provision for litigations/ contingencies
As at January 1, 2018		
Balance at the beginning	81.68	153.92
Charged / (Credited) to the Statement of Profit and Loss		
Additional provision recognised	70.18	74.70
Unused amounts reversed	(46.29)	(72.04)
Amounts used during the year	(35.39)	-
As at December 31, 2018	<u>70.18</u>	<u>156.58</u>
	Provision for warranty	Provision for litigations/ contingencies
As at January 1, 2019		
Balance at the beginning	70.18	156.58
Charged / (Credited) to the Statement of Profit and Loss		
Additional provision recognised	78.55	6.19
Unused amounts reversed	(47.21)	(1.07)
Amounts used during the year	(22.97)	-
As at December 31, 2019	<u>78.55</u>	<u>161.70</u>

18 Other current liabilities

	As at December 31, 2019	As at December 31, 2018
Statutory dues	31.05	29.65
Advances from customers	1,292.31	941.69
Total	<u>1,323.36</u>	<u>971.34</u>

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

(All amounts in INR million, unless otherwise stated)

19 Revenue from operations

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers		
Sale of products	12,713.36	10,665.78
Sale of services	115.39	109.16
	<u>12,828.75</u>	<u>10,774.94</u>
Other operating revenue		
Sale of scrap	46.59	46.34
Export incentives	63.74	109.38
	<u>110.33</u>	<u>155.72</u>
Revenue from operations	<u><u>12,939.08</u></u>	<u><u>10,930.66</u></u>

Notes:

(i) In accordance with Ind AS 115 – ‘Revenue from Contracts with Customers’, the Liquidated damages of Rs. 96.23 million for the year ended December 31, 2019 have been adjusted in the Sale of products. Accordingly, the Sale of products for the year ended December 31, 2019 and December 31, 2018 are not comparable to the extent.

(ii) Disaggregated revenue information

The table below presents disaggregated revenue from contracts with customers for the year ended December 31, 2019 and December 31, 2018. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors.

	Year ended December 31, 2019	Year ended December 31, 2018
Within India	10,460.73	9,223.80
Outside India	2,368.02	1,551.14
Revenue from contracts with customers	<u>12,828.75</u>	<u>10,774.94</u>

	Year ended December 31, 2019	Year ended December 31, 2018
Pumps	10,783.55	9,033.50
Valves	2,042.29	1,732.67
Others	2.91	8.77
Revenue from contracts with customers	<u>12,828.75</u>	<u>10,774.94</u>

(iii) Reconciliation of revenue recognized with contract price :

	Year ended December 31, 2019
Contract price	13,483.07
Adjustments for:	
Discounts, incentives, liquidated damages	(654.32)
Revenue from contracts with customers	<u><u>12,828.75</u></u>

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

(All amounts in INR million, unless otherwise stated)

20	Other income		
		Year ended December 31, 2019	Year ended December 31, 2018
	Interest income		
	- Interest income from financial assets measured at amortised cost	92.62	63.86
	- Others	35.98	32.26
	Sundry credit balances and provisions no longer required, written back	29.59	62.21
	Net gain on disposal of property, plant and equipment	0.60	4.85
	Net gain on foreign currency transactions and translations	50.49	-
	Fair value gain in derivative financial instruments	-	5.13
	Miscellaneous income	22.05	31.98
	Total	231.33	200.29
21	Cost of materials consumed		
		Year ended December 31, 2019	Year ended December 31, 2018
	Opening stock of raw materials	883.39	666.07
	Add: Purchases	6,144.87	5,420.87
	Less: Closing stock of raw materials	1,012.48	883.39
	Total	6,015.78	5,203.55
22	Purchases of stock-in-trade		
		Year ended December 31, 2019	Year ended December 31, 2018
	Purchases of stock-in-trade	1,062.39	783.68
	Total	1,062.39	783.68
23	Change in inventories of finished goods, stock-in-trade and work-in-progress		
		Year ended December 31, 2019	Year ended December 31, 2018
	Opening Inventory		
	- Finished goods	542.99	509.16
	- Stock-in-trade	139.59	133.65
	- Work-in-progress	1,410.59	1,113.82
		2,093.17	1,756.63
	Less: Closing Inventory		
	- Finished goods	544.92	542.99
	- Stock-in-trade	119.41	139.59
	- Work-in-progress	1,523.95	1,410.59
		2,188.28	2,093.17
	Net change in inventories	(95.11)	(336.54)
24	Employee benefit expense		
		Year ended December 31, 2019	Year ended December 31, 2018
	Salaries and wages	1,557.25	1,331.83
	Contributions to provident fund and other funds	109.43	99.41
	Staff welfare expenses	112.21	108.42
	Total	1,778.89	1,539.66

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

(All amounts in INR million, unless otherwise stated)

25 Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest on borrowings	39.23	21.50
Net interest expense on defined benefit obligations	13.89	16.03
Total	<u>53.12</u>	<u>37.53</u>

26 Depreciation and amortisation expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Depreciation and impairment on property, plant and equipment (Refer note 3)	444.08	385.21
Amortisation of intangible assets(Refer note 4)	13.15	11.46
Total	<u>457.23</u>	<u>396.67</u>

27 Other expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Processing and machining charges	583.28	525.83
Stores consumed	251.35	198.46
Tools consumed	49.48	78.96
Water, power and fuel	242.33	229.96
Rent	9.86	7.57
Rates and taxes	10.42	11.09
Repairs and maintenance		
- Buildings	20.82	8.14
- Machinery	57.14	63.42
- Others	152.47	129.09
Travelling and conveyance	98.97	87.68
Packing and forwarding charges	359.09	306.98
(Net of recoveries - ₹ 66.27 million; previous year - ₹ 47.62 million)		
Export selling agents	6.76	0.45
Other selling agents	8.16	27.26
Group service charges	48.00	48.00
Royalty charges	174.13	136.35
Liquidated damages [Refer note 19(i)]	-	40.57
Expenditure on Corporate Social Responsibility	20.96	16.00
Fair value losses in derivative financial instruments	9.60	-
Legal and professional fees	46.38	40.21
Net losses on foreign currency transactions and translations	-	22.20
Other computer services	92.36	92.66
Advertisements, catalogues, other advertising	70.09	55.01
Miscellaneous expenses	363.14	331.02
Total	<u>2,674.79</u>	<u>2,456.91</u>

28 Exceptional item

Exceptional item for the year ended December 31, 2019 represents gain of ₹ 127.42 million arising from sale of office property located at Mumbai.

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

(All amounts in INR million, unless otherwise stated)

29 Earnings per equity share

	As at December 31, 2019	As at December 31, 2018
Profit for the year attributable to the equity shareholders of the Company	1,007.33	716.07
Weighted average number of equity shares	3,48,07,844	3,48,07,844
Basic and Diluted Earnings per share (in INR)	<u>28.94</u>	<u>20.57</u>

30 Contingencies and commitments

a) Contingent liabilities

	As at December 31, 2019	As at December 31, 2018
Claims against the Group not acknowledged as debts	58.02	47.51
Income tax matters in dispute pending at various stages of appeal	198.33	156.61
Excise and Service tax matters	459.48	476.33
Total	<u>715.83</u>	<u>680.45</u>

b) The Group has evaluated the impact of the recent Supreme Court Judgment in the case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. Based on the management assessment, the aforesaid matter is not likely to have a significant impact and accordingly no provision has been recognised in books of accounts.

c) Capital commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is ₹ 156.65 million (December 31, 2018 ₹ 60.58 million)

31 Employee benefit obligations

Particulars	As at December 31, 2019	As at December 31, 2018
Compensated absences (Refer note B)	236.98	222.13
Non-current	196.05	193.99
Current	40.93	28.14
Gratuity (Refer note C)	199.43	170.79
Non-current	159.04	132.61
Current	40.39	38.18
Superannuation (Refer note D)	24.64	15.80
Non-current	24.12	15.80
Current	0.52	-

A Defined contribution plan

The Group also has certain defined contribution plans i.e. contribution to provident fund and contribution to superannuation fund. Contributions are made to provident fund for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the Group is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards contribution to provident fund is ₹ 69.11 million (December 31, 2018 - ₹ 60.01 million). Refer note 31D below for details related to superannuation fund.

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

(All amounts in INR million, unless otherwise stated)

B Compensated absences

The leave obligations cover the Group's liability for privilege leave and sick leave. The amount of provision made during the year is ₹ 50.32 million (December 31, 2018 - ₹ 52.63 million). The Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within twelve months and accordingly, amounts have been classified as current and non-current.

C Gratuity

The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days to one month's salary multiplied for the number of years of service. The gratuity plan is a funded plan.

(I) The amounts recognised in balance sheet and movements in the net benefit obligation over the year are as follows :

Particulars	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2018	539.45	(341.58)	197.87
Current service cost	27.76	-	27.76
Interest expense/(income)	40.97	(25.94)	15.03
Past service cost	7.45	-	7.45
Total amount recognised in Profit and Loss	76.18	(25.94)	50.24
Return on plan assets	-	(1.22)	(1.22)
(Gain)/loss from experience changes	(18.98)	-	(18.98)
(Gain)/loss from change in financial assumptions	4.98	-	4.98
Total amount recognised in other Comprehensive Income	(14.00)	(1.22)	(15.22)
Employer contributions	-	(36.33)	(36.33)
Benefits paid	(40.45)	14.68	(25.77)
December 31, 2018	561.18	(390.39)	170.79

Particulars	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2019	561.18	(390.39)	170.79
Current service cost	34.54	-	34.54
Interest expense/(income)	41.78	(29.07)	12.71
Total amount recognised in Profit or Loss	76.32	(29.07)	47.25
Return on plan assets	-	(2.08)	(2.08)
(Gain)/loss from experience changes	51.87	-	51.87
(Gain)/loss from change in financial assumptions	13.59	-	13.59
Total amount recognised in Other Comprehensive Income	65.46	(2.08)	63.38
Employer contributions	-	(40.39)	(40.39)
Benefits paid	(41.60)	-	(41.60)
December 31, 2019	661.36	(461.93)	199.43

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

(All amounts in INR million, unless otherwise stated)

(II) The net liability disclosed above relates to funded plans are as follows:

Particulars	As at December 31, 2019	As at December 31, 2018
Present value of funded obligation	661.36	561.18
Fair value of plan assets	(461.93)	(390.39)
Deficit	<u>199.43</u>	<u>170.79</u>

(III) Significant estimates

The significant actuarial assumptions were as follows :

Particulars	As at December 31, 2019	As at December 31, 2018
Discount rate	7.10%	7.45%
Salary growth rate	7.50%	7.50%
Attrition rate	7.00%	7.00%

(IV) Sensitivity of actuarial assumptions

The sensitivity of defined benefit obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation As at December 31, 2019	As at December 31, 2018
Discount rate		
1 % increase	(37.59)	(31.85)
1 % decrease	41.63	35.27
Future salary increase		
1 % increase	44.38	32.52
1 % decrease	(41.18)	(30.03)
Attrition rate		
1 % increase	(1.41)	(0.65)
1 % decrease	1.89	0.89

The above sensitivity analysis have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method is used to calculate the liability recognised in the Consolidated Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Projected benefits payable from the fund in future years from the date of reporting:

	As at December 31, 2019	As at December 31, 2018
Upto 1 year	58.41	64.80
Between 2 to 5 years	290.39	232.28
Between 6 to 10 years	386.21	303.74
More than 10 years	353.93	351.73
Total	<u>1,088.94</u>	<u>952.55</u>

The weighted duration of the defined benefit obligation is 7 years. (December 31, 2018: 7 years)

(V) The major categories of plan assets are as follows:

Particulars	As at December 31, 2019	As at December 31, 2018
Funds managed by insurer	100%	100%

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

(All amounts in INR million, unless otherwise stated)

D Superannuation

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

(I) The amounts recognised in balance sheet and movements in the net benefit obligation over the year are as follows :

Particulars	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2018	32.23	(19.04)	13.19
Current service cost	1.67	-	1.67
Interest expense/(income)	2.45	(1.45)	1.00
Total amount recognised in Profit or Loss	4.12	(1.45)	2.67
Return on plan assets	-	0.47	0.47
(Gain)/loss from experience changes	(0.73)	-	(0.73)
(Gain)/loss from change in financial assumptions	0.20	-	0.20
Total amount recognised in Other Comprehensive Income	(0.53)	0.47	(0.06)
Employer contributions	-	-	-
Benefits paid	(3.35)	3.35	-
December 31, 2018	32.47	(16.67)	15.80

Particulars	Present value of obligation	Fair value of plan assets	Net amount
January 1, 2019	32.47	(16.67)	15.80
Current service cost	1.57	-	1.57
Interest expense/(income)	2.42	(1.24)	1.18
Total amount recognised in Profit or Loss	3.99	(1.24)	2.75
Return on plan assets	-	0.72	0.72
Gain)/loss from experience changes	5.72	-	5.72
(Gain)/loss from change in financial assumptions	0.45	-	0.45
Total amount recognised in Other Comprehensive Income	6.17	0.72	6.89
Employer contributions	-	(0.80)	(0.80)
Benefits paid	(13.42)	13.42	-
December 31, 2019	29.21	(4.57)	24.64

(II) The net liability disclosed above relates to funded plans are as follows :

Particulars	As at December 31, 2019	As at December 31, 2018
Present value of funded obligation	29.21	32.47
Fair value of plan assets	(4.57)	(16.67)
Deficit	24.64	15.80

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

(All amounts in INR million, unless otherwise stated)

(III) Significant estimates

The significant actuarial assumptions were as follows :

Particulars	As at December 31, 2019	As at December 31, 2018
Discount rate	7.10%	7.45%
Attrition rate	7.00%	7.00%

(IV) Sensitivity of actuarial assumptions

The sensitivity of defined obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	As at December 31, 2019	As at December 31, 2018
Discount rate		
1 % increase	(1.26)	(1.32)
1 % decrease	1.37	1.43
Attrition rate		
1 % increase	0.33	0.37
1 % decrease	(0.40)	(0.45)

The above sensitivity analysis have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method is used to calculate the liability recognised in the Consolidated Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Projected benefits payable from the fund in future years:

	As at December 31, 2019	As at December 31, 2018
Upto 1 year	5.09	8.27
Between 2 to 5 years	18.55	18.93
Between 6 to 10 years	13.18	12.61
More than 10 years	5.17	6.82
Total	<u>41.99</u>	<u>46.63</u>

The weighted duration of the defined benefit obligation is 4 years. (December 31, 2018: 4 years)

(V) The major categories of plan assets are as follows:

Particulars	As at December 31, 2019	As at December 31, 2018
Funds managed by insurer	100%	100%

Risk exposure for the above plans

Through its defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset-liability mismatch risk

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each

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

(All amounts in INR million, unless otherwise stated)

year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset-liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

(ii) Asset volatility

All plan assets are maintained in a trust fund managed by a public sector insurer i.e., LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years. The Group has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The Group has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence, 100% liquidity is ensured. Also, interest rate and inflation risk are taken care of.

(iii) Discount rate risk

The present value of the defined benefit obligation is calculated using discount rate based on Government bonds. The decrease in the bond yield will increase the defined benefit obligation, however the same will be partially offset by an increase in value of plan assets.

(iv) Future salary escalation risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in salary of the plan participants will increase the defined benefit obligation.

32 Related party transactions

A Name of the related parties and nature of relationship

a.	Ultimate Parent Entity KSB Stiftung und Kuborth Stiftungs GmbH
b.	Parent Entities Canadian Kay Pump Ltd. KSB SE & Co. KGaA (previously KSB AG)
c.	Subsidiary Pofran Sales and Agency Limited
d.	Associate KSB MIL Controls Limited (previously MIL Controls Limited)
e.	Other Related Parties with whom transactions have taken place during the year: Fellow Subsidiaries:
1	KSB S.A.S France
2	KSB Inc., USA
3	KSB Pumps and Valves Pty Ltd South Africa
4	KSB Australia Pty Limited
5	KSB Chile S.A.
6	KSB Singapore (Asia Pacific) PTE Ltd.
7	KSB Limited, Hongkong
8	KSB Pumps Co.Ltd., Thailand
9	P.T. KSB., Indonesia
10	KSB Taiwan Co.Ltd.

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

(All amounts in INR million, unless otherwise stated)

32 Related party transactions

A Name of the related parties and nature of relationship (continued):

11	KSB Ltd, Tokyo
12	KSB Brazil LtdA.
13	KSB Korea Limited
14	KSB de Mexico S.A. de C.V.
15	KSB Nederland B.V.
16	DP Industries B.V., Netherland
17	KSB Pumps Arabia Ltd.
18	KSB Limited United Kingdom
19	KSB Italia S.p.A., Italy
20	KSB Pompa Armatür Sanayi ve Ticaret AS Turkey
21	KSB Shanghai Pump Co. Ltd., China
22	KSB Valves (Shanghai) Co. Ltd., China
23	KSB Finland Oy
24	KSB Pumps Company Limited, Pakistan
25	KSB ITUR S.A., Spain
26	KSB Tech Pvt. Ltd., India
27	GIW Industries Inc., USA
28	KSB Middle East FZE, Dubai
29	KSB Service LLC UAE
30	KSB Polska Sp. z o.o, Poland
31	KSB Compania Sudamericana De Bombas S.A., Argentina
32	KSB Malaysia Pumps & Valves Sdn. Bhd.
33	KSB Finanz S.A., Luxembourg
34	KSB Sverige Aktiebolag
35	KSB Pompes ET Robintteries Sarl, Morocco
36	KSB Service GmbH, Germany
37	KSB New Zealand
38	KSB OOO, Russia
39	AMRI Inc., USA
40	KSB Vietnam Company Ltd.
41	KSB Philippines
42	KSB Colombia SAS
43	KSB (Schweiz) AG, Switzerland
44	KSB Valves (Changzhou) Co.,Ltd., China
45	SISTO Armaturen S.A., Luxembourg
46	Shanghai Electric KSB Nuclear Pumps and Valves Co. Ltd., China

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

(All amounts in INR million, unless otherwise stated)

32 Related party transactions

A Name of the related parties and nature of relationship (continued):

	47	PT. KSB Sales Indonesia
	48	KSB Zambia Limited
	49	KSB Pumps and Valves L.t.d., Slovenia
	50	KSB Peru S.A.
	51	TOO "KSB Kazakhstan "
	52	KSB Pumps (SA) Proprietary Limited, Kenya
	53	Pumpen-Service Bentz GmbH
f.		Key Management Personnel:
	1	Mr. Rajeev Jain
	2	Mr. G. Swarup
	3	Mr. A. R. Broacha (until September 30, 2019)
	4	Mr. D. N. Damania
	5	Mr. Pradip Shah
	6	Dr. Stephan Bross
	7	Mr. V. K. Vishwanathan
	8	Ms. S. F. Motwani (until February 22, 2018)
	9	Dr. Matthias Schmitz
	10	Ms. Divya Shriram (w.e.f. May 21, 2018 until August 19, 2018)
	11	Ms. Sharmila Roy Chowdhury (w.e.f. September 30, 2018)
g.		Individuals having significant influence over the enterprise
	1	Mr. G. Swarup
h.		Relatives of individuals having significant influence over the enterprise
	1	Mrs. Gyan M Swarup
	2	Mr. Vikram Swarup and Mr. Gaurav Swarup (HUF)
	3	Mr. Vikram Swarup
	4	Mrs. Bindu Swarup
	5	Mrs. Parul Swarup
i.		Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence
	1	The Industrial & Prudential Investment Co. Ltd.
	2	New Holding and Trading Company Ltd.
	3	Paharpur Cooling Towers Ltd.
j.		Post employment benefit Trusts
	1	KSB Pumps Employee's Gratuity Trust
	2	Grade-O-Castings Employee's Gratuity Trust
	3	KSB Pumps (Core Employee's) Superannuation Trust

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

(All amounts in INR million, unless otherwise stated)

32 B. Transactions with related parties:

Nature of transactions	Parent Entities	Associate Company	Fellow Subsidiaries	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	Post employment benefit Trusts	Total
Purchase of goods	211.92 (113.08)	31.39 (12.33)	173.44 (66.45)	- (-)	- (-)	- (-)	- (0.13)	- (-)	416.75 (191.99)
Sale of goods	519.51 (224.04)	0.06 (1.06)	937.54 (798.18)	- (-)	- (-)	- (-)	19.53 (8.87)	- (-)	1,476.64 (1,032.15)
Income from services	20.45 (19.22)	- (-)	9.69 (10.99)	- (-)	- (-)	- (-)	- (-)	- (-)	30.14 (30.21)
Order cancellation charges received	- (-)	- (-)	- (0.05)	- (-)	- (-)	- (-)	- (-)	- (-)	- (0.05)
Site expenses	0.18 (3.31)	- (-)	1.54 (0.80)	- (-)	- (-)	- (-)	- (-)	- (-)	1.72 (4.11)
Commission income	8.18 (7.39)	- (-)	1.04 (2.26)	- (-)	- (-)	- (-)	- (-)	- (-)	9.22 (9.65)
Commission expenses	- (-)	- (-)	6.76 (0.45)	- (-)	- (-)	- (-)	- (-)	- (-)	6.76 (0.45)
Group service charges	48.00 (48.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	48.00 (48.00)
Dividend received	- (-)	21.68 (26.09)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	21.68 (26.09)
Liquidated damages	- (-)	- (-)	1.05 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1.05 (-)
Charges paid for technical / professional services	106.01 (120.86)	- (-)	22.15 (11.96)	- (-)	- (-)	- (-)	- (-)	- (-)	128.16 (132.82)
Royalty paid	171.98 (134.82)	- (-)	2.16 (1.53)	- (-)	- (-)	- (-)	- (-)	- (-)	174.14 (136.35)
Warranty charges	0.41 (-)	- (-)	0.83 (0.45)	- (-)	- (-)	- (-)	- (-)	- (-)	1.24 (0.45)
Rent received	- (-)	1.86 (1.86)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1.86 (1.86)
Recovery of expenses	2.18 (2.94)	11.35 (11.92)	0.53 (0.51)	- (-)	- (-)	- (-)	- (-)	- (-)	14.06 (15.37)
Reimbursement of expenses	0.42 (0.55)	- (0.01)	0.39 (0.86)	- (-)	- (-)	- (-)	0.59 (0.18)	- (-)	1.40 (1.60)

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

(All amounts in INR million, unless otherwise stated)
32 B. Transactions with related parties: (Contd.)

Nature of transactions	Parent Entities	Associate Company	Fellow Subsidiaries	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 exercise significant influence	Post employment benefit Trusts	Total
Bad Debts	-	-	0.08	-	-	-	-	-	0.08
Technical knowhow	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Group service charges written back	(2.40)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.40)
Remuneration	15.00	-	-	-	-	-	-	-	15.00
	(55.85)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(55.85)
Sitting fees paid	-	-	-	41.01	-	-	-	-	41.01
	(-)	(-)	(-)	(33.75)	(-)	(-)	(-)	(-)	(33.75)
Dividend paid	-	-	-	1.08	0.24	-	-	-	1.32
	(-)	(-)	(-)	(1.10)	(0.29)	(-)	(-)	(-)	(1.39)
Commission to Directors	84.67	-	-	0.21	0.20	0.72	53.10	-	138.90
	(84.67)	(-)	(-)	(0.21)	(0.20)	(0.72)	(53.10)	(-)	(138.90)
Contribution of post employment benefits	-	-	-	6.50	1.25	-	-	-	7.75
Outstanding balances arising from sales/ purchases of goods and services	(-)	(-)	(-)	(4.20)	(0.60)	(-)	(-)	(-)	(4.80)
Receivables	-	-	-	-	-	-	-	41.19	41.19
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(38.15)	(38.15)
Payables	228.47	-	361.02	-	-	-	5.12	-	594.61
	(114.32)	(-)	(286.95)	(-)	(-)	(-)	(4.55)	(-)	(405.82)
Provision for doubtful debts	564.52	21.80	120.81	-	-	-	-	-	707.13
	(337.27)	(-)	(47.82)	(-)	(-)	(-)	(-)	(-)	(385.09)
Advances	-	-	1.07	-	-	-	-	-	1.07
	(-)	(-)	(1.15)	(-)	(-)	(-)	(-)	(-)	(1.15)
Security deposits	-	22.42	5.65	-	-	-	-	-	28.07
	(-)	(6.47)	(3.98)	(-)	(-)	(-)	(-)	(-)	(10.45)
	-	0.12	-	-	-	-	-	-	0.12
	(-)	(0.12)	(-)	(-)	(-)	(-)	(-)	(-)	(0.12)

Note : Previous year's figures are shown in brackets.
Terms and conditions for outstanding balances
All outstanding balances are unsecured and payable in cash.

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

(All amounts in INR million, unless otherwise stated)

32 C. Transactions with related parties:

(I) Key management personnel compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Short term employee benefits	41.01	33.75
Post-employment benefits	4.55	3.16
Long term employee benefits	0.92	2.38
Total	<u>46.48</u>	<u>39.29</u>

(II) Material transactions with related parties

Sr. No.	Nature of transactions	Name of the party	Year ended December 31, 2019	Year ended December 31, 2018
1	Purchase of goods	KSB SE & Co. KGaA	211.92	113.08
		KSB S.A.S France	42.19	27.93
		KSB Nederland B.V.	22.69	36.30
		KSB Shanghai Pump Co. Ltd., China	21.87	1.57
2	Sale of goods	KSB SE & Co. KGaA	519.51	224.04
		KSB Singapore (Asia Pacific) PTE Ltd.	102.76	69.71
		KSB Middle East FZE, Dubai	77.19	118.12
		PT. KSB Sales Indonesia	149.84	90.15
3	Income from services	KSB SE & Co. KGaA	20.45	19.22
		KSB Tech Pvt. Ltd., India	9.46	9.46
4	Order cancellation charges received	KSB (Schweiz) AG, Switzerland	-	0.04
		KSB Malaysia Pumps & Valves Sdn. Bhd.	-	0.01
5	Site expenses	KSB SE & Co. KGaA	0.18	3.31
		KSB S.A.S France	-	0.50
		KSB Singapore (Asia Pacific) PTE Ltd.	1.30	-
6	Commission income	KSB SE & Co. KGaA	8.18	7.39
		KSB Service GmbH, Germany	0.06	1.43
7	Commission expenses	PT. KSB Sales Indonesia	-	0.45
		KSB Ltd, Tokyo	6.05	-
		KSB Valves (Changzhou) Co., Ltd., China	0.71	-
			-	-
8	Group service charges	KSB SE & Co. KGaA	48.00	48.00
9	Dividend received	KSB MIL Controls Limited	21.68	26.09

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

(All amounts in INR million, unless otherwise stated)

32 C. Transactions with related parties:

(II) Material transactions with related parties (continued)

Sr. No.	Nature of transactions	Name of the party	Year ended December 31, 2019	Year ended December 31, 2018
10	Liquidated damages	KSB Middle East FZE, Dubai	0.67	-
		KSB Valves (Changzhou) Co.,Ltd., China	0.35	-
11	Charges paid for technical/ professional services	KSB SE & Co. KGaA	106.01	120.86
		KSB Tech Pvt Ltd., India	14.36	11.96
12	Royalty paid	KSB SE & Co. KGaA	171.98	134.82
13	Warranty charges	KSB S.A.S France	0.77	-
		PT. KSB Sales Indonesia	-	0.32
		KSB Malaysia Pumps & Valves Sdn. Bhd.	-	0.13
		KSB SE & Co. KGaA	0.41	-
14	Rent received	KSB MIL Controls Limited	1.86	1.86
15	Recovery of expenses	KSB MIL Controls Limited	11.35	11.92
		KSB SE & Co. KGaA	2.18	2.94
16	Reimbursement of expenses	KSB SE & Co. KGaA	0.42	0.55
		KSB Malaysia Pumps & Valves Sdn. Bhd.	0.03	0.29
		KSB Finanz S.A., Luxembourg	-	0.37
		KSB Middle East FZE, Dubai	0.36	-
		KSB Singapore (Asia Pacific) PTE Ltd.	-	0.16
		Paharpur Cooling Towers Ltd.	0.59	0.18
17	Technical knowhow	KSB SE & Co. KGaA	-	2.40
18	Group service charges Written Back	KSB SE & Co. KGaA	15.00	55.85
19	Remuneration	Mr. Rajeev Jain	41.01	33.75
20	Sitting fees paid	Mr. G. Swarup	0.24	0.29
		Mr. A. R. Broacha	0.01	0.20
		Mr. D. N. Damania	0.24	0.28
		Mr. Pradip Shah	0.22	0.18
		Dr. Stephan Bross	0.18	0.18
		Mr. V. K. Vishwanathan	0.18	0.16
		Ms. Sharmila Roy Chowdhury	0.14	0.03

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

(All amounts in INR million, unless otherwise stated)

32 C. Transactions

(II) Material transactions with related parties (continued)

Sr. No.	Nature of transactions	Name of the party	Year ended December 31, 2019	Year ended December 31, 2018
21	Dividend paid	Canadian Kay Pump Ltd.	84.67	84.67
		The Industrial & Prudential Investment Co. Ltd.	42.84	42.84
22	Commission to Directors	Mr. G. Swarup	1.25	0.60
		Mr. A. R. Broacha	1.00	0.60
		Mr. D. N. Damania	1.00	0.60
		Mr. Pradip Shah	1.00	0.60
		Dr. Stephan Bross	1.00	0.60
		Mr. V. K. Vishwanathan	1.00	0.60
		Dr. Matthias Schmitz	1.00	0.30
23	Contribution to post employment benefits	KSB Pumps Employee's Gratuity Trust	38.14	36.07
		Grade-O-Castings Employee's Gratuity Trust	2.25	2.08
		KSB Pumps (Core Employee's) Superannuation Trust	0.80	-

33 Segment reporting

(A) Description of segments and principal activities

- 1 Pumps segment includes manufacturing / trading of all types of pumps like industrial pumps, submersible pumps, effluent treatment pumps, etc. and spares and services in respect thereof.
- 2 Valves segment consists basically manufacturing and trading of industrial valves and spares and services in respect thereof.
- 3 'Others' represents manufacture of castings.

	Year ended December 31, 2019				Year ended December 31, 2018			
	Pumps	Valves	Others	Total	Pumps	Valves	Others	Total
(B) Segment revenue								
Total segment revenue	10,878.09	2,081.20	962.79	13,922.08	9,153.85	1,781.79	728.60	11,664.24
Inter segment revenue	-	(24.58)	(958.42)	(983.00)	-	(16.13)	(717.45)	(733.58)
Revenue from external customers	10,878.09	2,056.62	4.37	12,939.08	9,153.85	1,765.66	11.15	10,930.66
(C) Segment profit	1,117.94	141.36	(4.68)	1,254.62	955.64	127.93	(19.75)	1,063.82
Share of net profit of associate accounted for using the equity method				54.15				43.17
Unallocated corporate income/expenses [Refer note (i) below]				20.64				(72.92)
Finance cost				(53.12)				(37.53)
Interest income				128.60				96.12
Profit before tax				1,404.89				1,092.66

Note (i): 'Unallocable corporate income / (expense)' for the year ended December 31, 2019 include gain of ₹ 127.42 million arising from sale of office property located at Mumbai.

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

(All amounts in INR million, unless otherwise stated)

33 Segment reporting

(D) Segment assets	8,497.29	1,301.22	841.91	10,640.42	8,113.29	1,327.42	865.25	10,305.96
Investment in associate				644.14				597.72
Unallocated corporate assets				3,073.31				1,595.82
Total assets				14,357.87				12,499.50
(E) Segment liabilities	4,621.96	705.89	126.74	5,454.59	3,695.17	645.67	128.07	4,468.91
Unallocated corporate liabilities				616.61				452.95
Total liabilities				6,071.20				4,921.86
(F) Cost incurred during the period to acquire segment property, plant and equipment	591.84	23.87	10.47	626.18	487.75	32.53	7.42	527.70
(G) Depreciation and amortisation	314.33	44.19	98.71	457.23	288.49	48.92	59.26	396.67

(H) Geographical Segments

	Year ended December 31, 2019			Year ended December 31, 2018		
	Within India	Outside India	Total	Within India	Outside India	Total
Segment revenue by geographical area based on geographical location of customers	10,571.06	2,368.02	12,939.08	9,379.52	1,551.14	10,930.66

(I) The total of non-current assets other than financial instruments, investments and deferred tax assets broken down by location of the assets is as under:

	As at December 31, 2019	As at December 31, 2018
India	3,615.38	3,606.01
Other countries	-	-
Total	<u>3,615.38</u>	<u>3,606.01</u>

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

(All amounts in INR million, unless otherwise stated)

34 Interests in other entities

(a) Subsidiary

Name of the entity	Place of business/Country of incorporation	Ownership interest held by the Group		Principal activities
		As at December 31, 2019	As at December 31, 2018	
Pofran Sales and Agency Limited	India	100%	100%	Commission agency

(b) Interest in associate

Name of the entity	Place of business	Percentage of ownership interest held by Group	Accounting method	Principal activities
KSB MIL Controls Limited	India	49%	Equity method	Manufacturing of control valves and accessories

KSB MIL Controls Limited is an unlisted entity and no quoted price is available.

(c) Summarized financial information for associate

The summarized financial information for associate disclosed below, reflects the amounts presented in the financial statements of the relevant associate and not Group's share of those amounts.

(i) Summarized balance sheet

	KSB MIL Controls Limited	
	As at December 31, 2019	As at December 31, 2018
Total current assets	1,388.52	1,234.29
Total non-current assets	641.52	435.26
Total current liabilities	723.40	466.46
Total non-current liabilities	42.10	33.30
Net assets	<u>1,264.54</u>	<u>1,169.79</u>

(ii) Reconciliation of carrying amounts

	KSB MIL Controls Limited	
	As at December 31, 2019	As at December 31, 2018
Opening net assets*	1,187.98	1,129.66
Profit for the year	132.66	105.90
Other comprehensive income	(2.74)	(1.60)
Dividends paid	(53.36)	(64.17)
Closing net assets	<u>1,264.54</u>	<u>1,169.79</u>
Group's share in %	49%	49%
Group's share in INR	619.62	573.20
Goodwill	24.52	24.52
Carrying amount	<u>644.14</u>	<u>597.72</u>

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

(All amounts in INR million, unless otherwise stated)

*Effective from January 1, 2019, the associate has adopted Ind AS 115 – ‘Revenue from Contracts with Customers’. Ind AS 115 replaces existing revenue recognition standards viz Ind AS 18 ‘Revenue’ and Ind AS 11 ‘Construction Contracts’. Using the modified retrospective approach, the associate has recognised the effect of initially applying Ind AS 115 as an adjustment to the opening balance of retained earnings. Accordingly, Opening net assets for the year ended December 31, 2019 have been adjusted by ₹ 18.19 million.

(iii) Summarized Statement of Profit and Loss

	KSB MIL Controls Limited	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	1,709.36	1,513.40
Profit for the period	132.66	105.90
Other comprehensive income	(2.74)	(1.60)
Total comprehensive income	129.92	104.30
Dividends received	-	-

(d) Commitments and contingent liabilities in respect of associates

	As at	As at
	December 31, 2019	December 31, 2018
Share of contingent liabilities incurred jointly with other investors of the associate		
Excise and Service tax matters	0.13	1.48
Sales tax matters in dispute pending at various stages of appeal	9.55	10.03
Commitments of associate		
Commitment to provide funding for associate's capital commitments, if called	1.23	0.05
Total	10.91	11.56

35 Additional information required by Schedule III

Particulars	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (INR Million)	As % of consolidated profit or loss	Amount (INR Million)
Parent				
KSB Limited (formerly known as KSB Pumps Limited)				
December 31, 2019	92.20%	7,640.55	94.47%	900.71
December 31, 2018	92.03%	6,973.88	93.92%	681.11
Subsidiary - Indian				
Pofran Sales and Agency Limited				
December 31, 2019	0.02%	1.98	-0.01%	(0.09)
December 31, 2018	0.08%	6.04	0.24%	1.73

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

(All amounts in INR million, unless otherwise stated)

Particulars	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (INR Million)	As % of consolidated profit or loss	Amount (INR Million)
Associate - Indian (Investment as per equity method) KSB MIL Controls Limited (previously MIL Controls Limited)				
December 31, 2019	7.78%	644.14	5.54%	52.81
December 31, 2018	7.89%	597.72	5.84%	42.39
Total - December 31, 2019	<u>100.00</u>	<u>8,286.67</u>	<u>100.00</u>	<u>953.43</u>
Total - December 31, 2018	<u>100.00</u>	<u>7,577.64</u>	<u>100.00</u>	<u>725.23</u>

36 Fair value measurements

All financial assets (except derivative instruments) and financial liabilities (except derivative liabilities) are measured at amortised cost and derivative instruments are classified as fair value through profit or loss. The fair value is determined using forward exchange rates at the balance sheet date. The instruments fall under level II of the fair value hierarchy as per Ind AS 113 Fair Value Measurements. Level II fair values maximise the use of observable market data and rely as little as possible on entity specific estimates. Significant inputs required to measure a level II fair value are observable. The fair value of all the instruments measured at amortised cost is not materially different from the carrying value of such instruments.

37 Financial risk management

The Group's activities exposes it to market risk, liquidity risk and credit risk. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are taken. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

The Group's risk management is carried out by the Group's treasury department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) Credit risk

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments. For banks and other financial institutions, only high rated banks/ financial institutions are accepted. The balances with banks, loans given to employees, security deposits are subject to low credit risk and the risk of default is negligible or nil. Hence, no provision has been created for expected credit loss for credit risk arising from these financial assets.

I Trade receivables

Credit risk arises from the possibility that customer will not be able to settle their obligations as and when agreed. To manage this, the Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts, ageing of accounts receivable and forward looking information. Individual credit limits are set accordingly.

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

(All amounts in INR million, unless otherwise stated)

Movement of provision for liquidated damages and provision for doubtful debts

	Provision for Liquidated damages	Provision for Doubtful debts
Provision for as at January 1, 2018	231.69	187.49
Change during the year	30.72	(15.08)
Provision for as at December 31, 2018	262.41	172.41
Change during the year	64.37	(8.27)
Provision as at December 31, 2019	326.78	164.14

(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying business, the Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The financial liabilities as at December 31, 2019 and December 31, 2018 mature within a period of one year.

(C) Market risk

I) Foreign currency risk

The Group is engaged in international trade and thereby exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, EUR, AUD, GBP and CHF. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (INR). The Group's risk management policy is to hedge purchases and sales separately. The Group uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

i) Foreign currency risk exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR million, are as follows :-

	December 31, 2019					December 31, 2018				
	EUR	USD	AUD	GBP	CHF	EUR	USD	AUD	GBP	CHF
Financial assets										
Trade receivables	32.65	643.86	-	-	-	21.23	311.49	-	-	-
Bank balances in EEFC accounts	5.87	91.19	-	-	-	2.27	31.86	-	-	-
Derivative assets - Foreign exchange forward contracts (Sell Foreign Currency)	-	(123.06)	-	-	-	(12.76)	(225.32)	-	-	-
Net exposure to foreign currency risk (assets)	38.52	611.99	-	-	-	10.74	118.03	-	-	-
Financial liabilities										
Trade payables	216.39	97.22	0.94	0.08	0.30	106.06	43.11	1.12	0.58	0.28
Derivative liabilities - Foreign exchange forward contracts (Buy Foreign Currency)	-	-	-	-	-	(13.42)	(22.23)	-	-	-
Net exposure to foreign currency risk (liabilities)	216.39	97.22	0.94	0.08	0.30	92.64	20.88	1.12	0.58	0.28

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

(All amounts in INR million, unless otherwise stated)

ii) Sensitivity

The sensitivity of profit and loss to changes in the exchange rates arises mainly from foreign currency denominated financials instruments:

	Impact on profit before tax	
	December 31, 2019	December 31, 2018
EUR sensitivity		
INR/EUR - Increase by 5% (December 31, 2018-5%)*	(8.89)	(4.10)
INR/EUR - Decrease by 5% (December 31, 2018-5%)*	8.89	4.10
USD sensitivity		
INR/USD - Increase by 5% (December 31, 2018-5%)*	25.74	4.86
INR/USD - Decrease by 5% (December 31, 2018-5%)*	(25.74)	(4.86)

* Holding all other variables constant

II) Interest rate risk

The Group's main interest rate risk arises from short term borrowings and deposits taken / placed over a period of time on frequent basis thereby exposing the Group to interest rate risk. The Group's policy is to have fixed interest rate at the time of deal execution.

38 Capital management

a) Risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholders value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and December 31, 2018.

Net debt to equity ratio

	December 31, 2019	December 31, 2018
Net debt	116.05	309.93
Total equity	8286.67	7,577.64
Net debt to equity ratio	<u>1.40%</u>	<u>4.09%</u>

b) Dividends

	December 31, 2019	December 31, 2018
(i) Equity shares		
Final dividend paid for the year ended December 31, 2018 of ₹ 6.00 (December 31, 2017 of ₹ 6.00) per fully paid share	208.85	208.85
Dividend distribution tax on final dividend	42.93	34.09

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

(All amounts in INR million, unless otherwise stated)

(ii) Dividends not recognised at the end of the reporting period		
The directors have recommended the payment of a final dividend of ₹ 8.00 per fully paid equity share (December 31, 2018 - ₹ 6.00). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	278.46	208.85
Dividend distribution tax on final dividend	-	42.93

39 Subsequent to the year end, pursuant to certain concerns raised in an internal letter from one of the employee of the Company, an internal investigation has been conducted. The results of the investigations confirmed that an employee of the Company has accepted kickbacks / money from a vendor for certain marketing services amounting to ₹ 11.40 million over the years. The Company has taken appropriate steps like detailed inquiries, obtaining statements from the employee as well as the vendor, verifying available records, etc. The concerned employee has been suspended and a written confirmation and a promissory note has been obtained for recovery of the amount from the employee. The Company has taken steps to strengthen the existing controls and is taking additional steps to evaluate the matter including any additional necessary measures.

40 The list of standards issued but not yet effective:

Following are the pronouncements which have been issued by the Ministry of the Corporate Affairs ('MCA') that are effective from annual periods beginning on and after April 1, 2019 and are applicable to the Group from next year:

a) Ind AS 116- Leases :

The Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 on March 30, 2019. The Rules shall be effective from reporting period beginning on or after April 1, 2019 and cannot be early adopted. The new standard on leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The core objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information is likely to provide a basis to users of financial statements to assess the effect that leases will have on the financial position, financial performance and cash flows of the Group. The new standard increases the focus on which party controls the use of an identified asset. Under Ind AS 17, an arrangement may be a lease when the customer obtains substantially all of the output or other utility of the asset even if the customer does not control the use of the asset. Under the new standard, a lease can exist if, and only if, the customer has the right to both control the use of an identified asset and obtain substantially all of the economic benefits from the use of that asset. This is in contrast to a further aspect of Ind AS 17 under which an arrangement is a lease when the customer has the right to control the use of an identified asset and obtains more than an insignificant amount of the output or other utility of the asset. The new standard provides two optional approaches to transition. They are as follows:

- a) Full retrospective approach: Under this approach, the lessee applies the new standard retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. For this purpose, the lessee:
- Applies the new standard to all leases in which it is a lessee
 - Applies the standard retrospectively to each prior period presented
 - Recognizes an adjustment in equity at the beginning of the earliest period presented and
 - Makes the disclosures required by Ind AS 8 on a change in accounting policy.

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

(All amounts in INR million, unless otherwise stated)

- b) Modified retrospective approach: Under this approach, a lessee applies the new standard from the beginning of the current period. For this purpose, the lessee:
- Calculates lease assets and lease liabilities as at the beginning of the current period
 - Does not restate its prior period financial information
 - Recognizes an adjustment in equity at the beginning of the current period and - Makes additional disclosures specified in the standard.

The Group is in the process of evaluating the impact on the financial statements under the new standard. The Group will adopt the standard on January 1, 2020."

- b) Ind AS 12 Income taxes - Appendix C, Uncertainty over Income Tax Treatments :

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition –

- a) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight;
- b) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives. The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Group will adopt the standard on January 1, 2020.

- c) Amendment to Ind AS 12 – Income taxes – Amendments related to income tax consequences of dividend :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Group currently evaluating the effect of this amendment on the financial statements.

- d) Amendment to Ind AS 19 – Employee Benefits - Plan amendment, curtailment or settlement :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Group is in process of evaluating the effect of this on the financials statements and does not expect any material impact from the change.

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

- 41 Effective from January 1, 2019, the Group has adopted Ind AS 115 – ‘Revenue from Contracts with Customers’. Ind AS 115 replaces existing revenue recognition standards viz Ind AS 18 ‘Revenue’ and Ind AS 11 ‘Construction Contracts’. Using the modified retrospective approach, there were no material adjustment required to the retained earnings as at January 1, 2019. Also the adoption of the Ind AS 115 did not have any material impact on the recognition and measurement of revenue and related items in the financial results of the Group.
- 42 Events occurring after the reporting period
Refer to note 38 (b) (ii) for the final dividend recommended by the directors which is subject to the approval of shareholders in the ensuing general meeting.
- 43 Previous year's figures have been regrouped / reclassified wherever considered necessary to conform current year's classification / disclosure.

In terms of our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Neeraj Sharma
Partner
Membership No.: 108391

Mumbai, February 27, 2020

For and on behalf of the Board of Directors

Milind Khadilkar
Chief Financial Officer

Mahesh Bhav
Company Secretary

Mumbai, February 27, 2020

G. Swarup
Chairman
(DIN : 00374298)

D. N. Damania
Director
(DIN : 00403834)

Rajeev Jain
Managing Director
(DIN : 07475640)

Notes

Promotional Activities

Digital Campaigns :



TV Campaign in Gujrat & Maharashtra



Social Media Campaign



Radio Campaign in Pune

Trade Exhibitions :



KISAN - Pune



Agri Intex - Coimbatore



Oil & Gas, Power - Mumbai



Acrex India - NOIDA

Promotional Activities

Other Activities



Wall Paintings



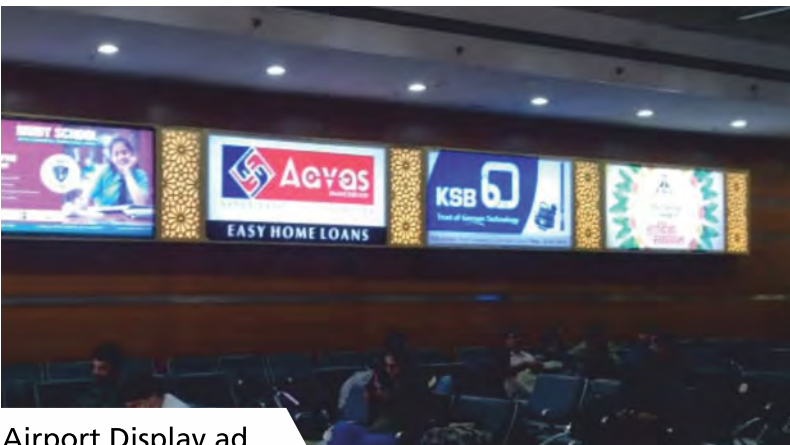
Shop Branding



Branding on Auto



Hoardings



Airport Display ad.



Van Campaign



KSB Care Charitable Trust

Corporate Social Responsibility



Donated Sonography Machine, ECG Machine, and Operation Labor Table to Rural hospital at Vambori.



Donation of Green gym equipments for citizens of Sinnar.



Donated Garbage disposal vehicle and 40 HP Monosub Pumps to Grampanchayat, Vambori.



Sewing machines distributed to Skill Development Centre at Sinnar.



Solar water heater for water therapy tank at Bal Kalyan Sanstha, Pune.

KSB Care Charitable Trust, is the company's initiative that undertakes social welfare projects in and around the manufacturing plants, to enhance the quality of life of underprivileged children, women and the elderly. Projects are implemented in and around Pune, Nashik, Ahmednagar, Coimbatore and Kochi.

KSB Care Charitable Trust is the heart that pumps compassion and warmth into the society it lives in.

Pumps and Valves are our business. Social welfare is our responsibility.



SupremeServ Warehouse, Chinchwad, Pune.

New brand "SupremeServe" focusing on Installed Base business

KSB SupremeServ



Spares



Mechanical Seal

**Use Genuine Spare Parts
for your pumps**



KSB Limited

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