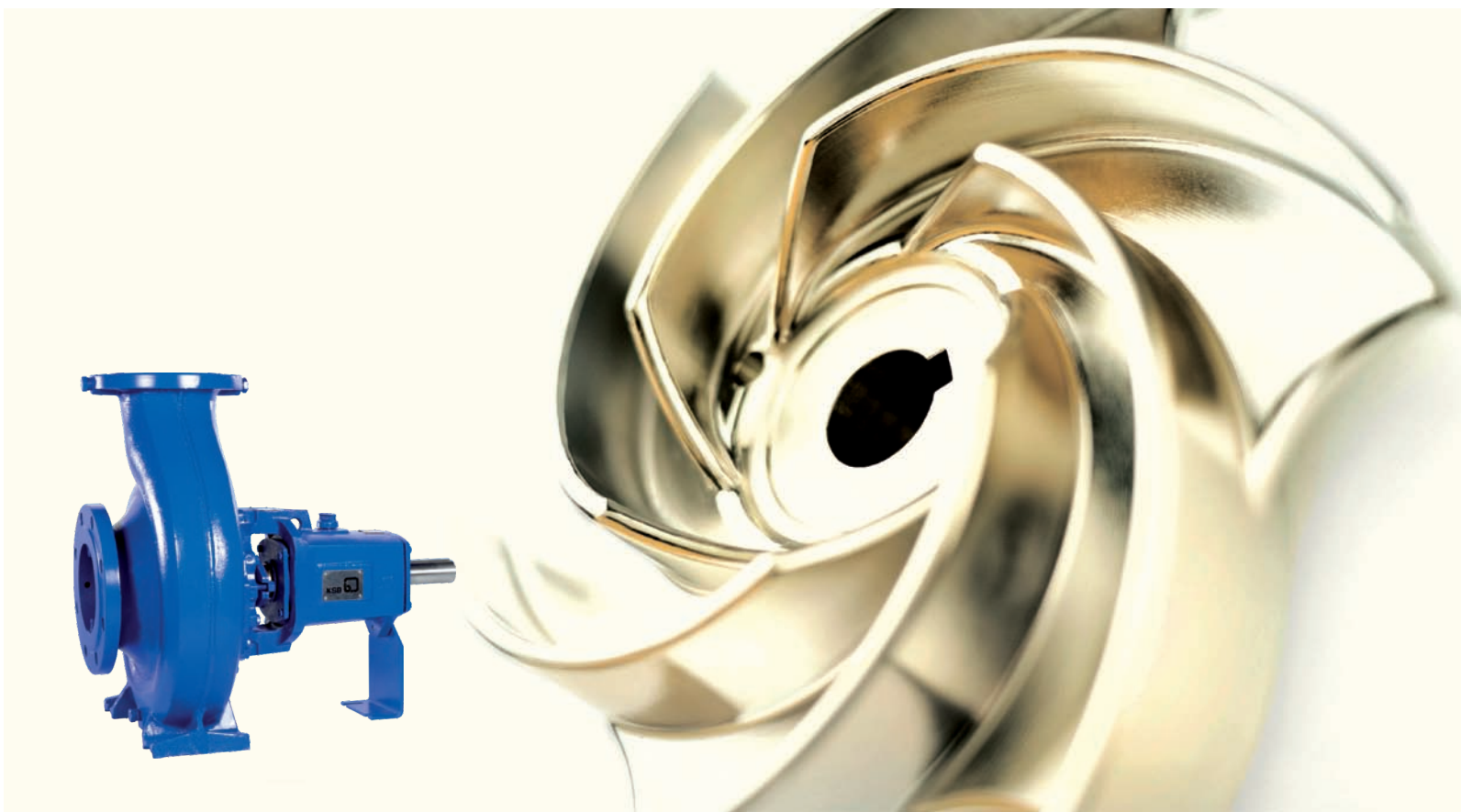


52nd Annual Report - 2011





Plant expansion at Sinnar



On 22nd January 2012 Mr. Werner Spiegel inaugurated the shed.

Launch of new range of energy efficient Monobloc Pumps - MONOSUB RV



MONOSUB RV - openwell submersible monobloc pumpset in vertical execution. This model follows in the wake of its earlier successful models viz MONOSUB, MONOSUB R and MONOSUB RE in single stage and 1 & 3 phase versions.

These MONOSUB RV pumpsets are available in 1 & 3 phase motors which can deliver head up to 150 mtr. and flow up to 85000 liters per hour. Motor rating up to 16.8 kW (22.5 hp) are available in 4 different pump models.



moviBOOST

Water Pressure Boosting systems

One of the biggest moviBOOST systems made by KSB in India and supplied to Reliance Industries Corporate Park at Navi Mumbai.

	Page Nos.
General Information	2
Board's Report	3 - 5
Annexures	
i. Management Discussion & Analysis Report	6 - 10
ii. Report on Corporate Governance	11 - 21
iii. Other Annexures	22 - 23
Auditors' Report	24 - 27
Balance Sheet	28
Profit & Loss Account	29
Cash Flow	30 - 31
Schedules 1 to 19	32 - 53
Consolidated Accounts	54 - 77
Subsidiary's Accounts -	
Pofran Sales and Agency Ltd.	78 - 87
Balance Sheet Abstract – KSB Pumps Ltd.	88

ANNUAL GENERAL MEETING

Date : 12th April, 2012
Day : Thursday
Time : 2.00 p.m.
Venue : Bajaj Bhavan, Ground Floor,
(Kamalnayan Bajaj Hall),
226, Nariman Point,
Mumbai 400 021.

COMMUNICATION DETAILS

Tel No. : 022-66588787
Fax No. : 022-66588788
Shareholders' Grievance Cell: mpparchure@ksb.co.in
Website : www.ksbindia.co.in

GENERAL INFORMATION

Board Of Directors

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

Registered Office

126, Maker Chambers III, Nariman Point, Mumbai 400 021

Zonal Offices

North - Noida
Offices - Bareilly, Chandigarh, Jaipur & Lucknow
East - Kolkata
Offices - Bhubaneshwar, Jamshedpur & Raipur
West - Mumbai
Offices - Ahmedabad, Aurangabad, Baroda, Indore,
Nagpur & Pune
South - Chennai
Offices - Bangalore, Hubli & Secunderabad

Factories

Pimpri, Pune 411 018
Chinchwad, Pune 411 019
Vambori 413 704, Dist. Ahmednagar
NSN Palayam, Coimbatore 641 031
Sinnar, Dist. Nashik 422 103

Collaborators

KSB Aktiengesellschaft, Germany

Bankers

Central Bank of India
Deutsche Bank AG
Standard Chartered Bank

Auditors

Deloitte Haskins & Sells

Cost Auditors

Dhananjay V. Joshi & Associates

Registrars & Transfer Agents

Link Intime India Pvt. Ltd.
Tel No. 25946970
Email-rnt.helpdesk@linkintime.co.in

BOARD'S REPORT

To

The Shareholders,

The Board of Directors have pleasure to submit the report and audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 2011.

FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	Rs. in Million	
	Year ended 31.12.2011	Year ended 31.12.2010
Sales (net) & Other Income	7641.3	6269.6
Profit before taxation	622.9	742.4
Less: Provision for taxation		
Current	207.0	254.0
Deferred	(5.4)	(27.3)
	201.6	226.7
Profit after tax	421.3	515.7
Adjustment of tax of earlier years	8.5	(0.1)
Profit for appropriation	429.8	515.6
Appropriation:		
Dividend	139.2	174.0
Tax on Dividend	22.6	28.2
General Reserve	45.0	55.0
Profit & Loss Account	223.0	258.4
	429.8	515.6

(ii) Dividend:

An interim dividend of Re 1 per share of Rs 10 each (10%) was paid during the year. The Board of Directors propose a final dividend of Rs 3 per share of Rs 10 each (30%) making a total of Rs 4 per share of Rs 10 each (40%) for the year.

GENERAL REVIEW

(i) Working:

During the year under review, the Company has earned lower profit before tax compared to the previous year even though there has been an increase in the sales. Execution of the project orders which were obtained earlier with lower margin affected results considerably. Further costs push inflation increased the input costs significantly, mainly materials, which could not be passed on to the customers. Some of the large orders could not be executed as customers did not take delivery of pumps and valves on account of project delay at their end. Hence the situation of heavy pressures on margin continued in the year 2011.

Export increased by 68 mio. from 633 mio. last year to 701 mio.

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

(ii) The Company has allotted 1,74,03,922 bonus shares on 20.04.2011 in the proportion of one new equity share for every one existing equity share.

(iii) Unclaimed Bonus Shares :

Total 25,390 bonus shares held by 158 shareholders were unclaimed in the year 2011, after allotment. Out of which 2,646 bonus shares were transferred to respective 7 shareholders who had approached for such shares. Now the total number of shares outstanding is 22,744 held by 151 shareholders.

(iv) Fixed Deposits:

The Company has no unpaid deposits except those unclaimed after the period of maturity. As on 31st December, 2011, 2 depositors (Rs.25,000) had not claimed their deposits on the due dates.

BOARD'S REPORT (Contd.)

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

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of Rs.56,480 being unclaimed fixed deposits and interest and an amount of Rs.260,529 being unclaimed dividends up to the year 31.12.2004, were transferred to the Investor Education & Protection Fund established by the Central Government.

- (vi) Subsidiary & Associate:

Annual Accounts for the year ended 31st December, 2011 of Pofran Sales and Agency Limited (the Company's wholly owned subsidiary) which show a profit before tax of Rs. 25.3 mio (previous year Rs. 16.4 mio.) for business upto the date, are attached.

The Associate Company, MIL Controls Limited (MIL) has made a profit before tax of Rs 280.5 mio for the year ended 31st December, 2011 (previous year Rs. 279.1 mio) .

- (vii) Management Discussion and Analysis Report:

Annexed to this Report

- (viii) Corporate Governance:

Annexed to this Report

- (ix) Consolidated Accounts:

As per the requirement of SEBI, consolidated accounts in accordance with Accounting Standard AS 21 have been annexed to this Annual Report.

DIRECTORS

Mr. A. R. Broacha, Mr. G. Swarup and Dr. W. Schmitt retire by rotation and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departures;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

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

PARTICULARS OF EMPLOYEES

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

BOARD'S REPORT (Contd.)

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

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

SAFETY AND ENVIRONMENT

The Company is committed for delivering quality product with minimum adverse impact on the environment. A well developed Environment Management System (EMS) is established in the Company. EMS is adherent to the highest possible standards of environmental management, health, safety and compliance with all relevant environmental legislations and regulations. The Company has been awarded Environmental Management and Quality Management Certification according to the international standard ISO 14001: 2004 and ISO 9001:2008 respectively.

KSB Group has become a member of "United Nations Global Compact" whereby it has committed to fundamental principles of the said organization.

Reviews and audits of EMS are carried out on regular basis. Environment related initiatives are undertaken practically at all levels and in all functions of the organization. Environmental impacts are assessed and actions are taken in planned manner. Some of the environment related initiatives are installation of bio-gas plant, installation of fume extraction to mitigate air emission and rain water harvesting.

Safety and health of the employees receives utmost importance at every workplace of the Company. Safe operating procedures, standards and systems have been laid down at all manufacturing locations. Regular training of employees regarding safe working guidelines, audit and review of every accident, mock drills on emergency are some of the steps that are followed to achieve higher safety standards. Safety requirements are also extended to our subcontractors and visitors.

CORPORATE SOCIAL RESPONSIBILITY

KSB Care Charitable Trust has started a project of supporting a school near Company's foundry at Vambori. The support is mainly directed towards providing infrastructure in the school.

AUDITORS

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

On behalf of the Board of Directors

G. SWARUP
CHAIRMAN

Mumbai, 22nd February, 2012

MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANNEXURE TO BOARD'S REPORT

1.0 Introduction

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

2.0 INDUSTRY STRUCTURE AND DEVELOPMENT

2.1 General

Year 2011 began with a note of caution on the sustenance of economic growth achieved in 2009-10. Monetary policy was tightened throughout the fiscal, as inflation remained stickily above trend on the back of continued supply-side constraints. As a result, although economic growth continued to be in trend; future growth expectations remained firmly anchored throughout the year.

Indian economy started on a positive note however, slowly it showed negative trends. Concerns on the Euro area sovereign balance sheets and funding requirements continued to drag the ability of sustained high-growth expectations. Rising international crude oil prices and limited room for manoeuvring in the domestic pricing of fuel kept government borrowings high across the period.

As interest rates firmed up through the period, banks progressively passed on the increased cost in the form of higher lending rates. As a result, aggregate investment moderated in the fiscal, as effects of a sustained tight monetary policy began to show, driven largely in contraction of capital goods output. Also, while indicators on the service sector remained robust, others such as PMI, tax collections and growth in bank credit indicated a plateauing out of growth across sectors and waning investment momentum.

Overall, Indian economy continues to face challenges of improving agricultural productivity, upgrading infrastructure, promoting growth of industrial sector, containing deficit, promoting exports amidst a global slowdown and containing inflation.

2.2 Pumps & Valves Industries

During the course of 2011, global growth slowed down considerably. The worsening debt crisis in Europe, the dramatic events in Japan – with their consequences on energy policy – and the political changes in North Africa, all had a negative impact on the willingness of many customers to invest in the construction of major new facilities such as power generation plants. Project business with pumps and valves therefore remained difficult in the second half of 2011.

Due to difficult environment, earning development in the project business was impacted by severe price erosion and correspondingly lower margin; rising material and staff costs also weighed down the earnings.

3.0 OPPORTUNITIES AND THREATS

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

With the globalization, new international players are making a thrust in the Indian market by creation of additional manufacturing capacities. This would result in further intensification of competition leading to price pressures.

4.0 SEGMENTWISE PERFORMANCE

During the year under review, 155744 nos. pumps (previous year 143674 nos.)

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

were sold representing sales value of Rs.5248 mio. (Previous year Rs. 4352 mio.). Pumps manufactured were 165785 (nos.).

During the year 153138 nos. valves (previous year 131966 nos.) were sold representing a sales value of Rs.1396 mio. (previous year Rs. 1011 mio.). 163907 (nos.) valves were produced during the year.

EXPORT

During the year under review, exports of pumps and valves in terms of value were Rs. 701 mio. as against Rs.633 mio. in previous year. Agency commission earned was Rs. 35.6 mio.

5.0 OUTLOOK

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

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

6.0 RISKS & CONCERNS THE MANAGEMENT PERCEIVE

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

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

7.0 INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Internal Control Systems are implemented:-

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

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

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

The Audit Committee meets periodically to review -

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

8.0 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL EFFICIENCY

Due to lower profits and increase in inventory, the Company's cash balance is reduced compared to last year. Increase in inventory is partly on account of delay in lifting of pumps and valves by customers.

The following statements cover financial Performance Review, which are attached to this report.

- a) Distribution of Income
- b) Financial Position at a glance
- c) Financial Summary

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

9.0 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS

Attracting and retaining talent remained a major challenge for the Company in 2011. Like last few years, the Company has focused on various people development initiatives such as Learning and Development, Developing Leadership Culture, Succession Planning, Employee Engagement and Performance Management.

Learning and development initiatives were more sharpened with the process of Competency Mapping and Competency Development. The Company continued the structured Leadership Programmes with the focus on Value Based Leadership Development for all the Managers.

Industrial relations at all the plants were cordial.

10.0 CAUTION

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

On behalf of the Board of Directors,

G SWARUP
Chairman

Mumbai, 22nd February, 2012

DISTRIBUTION OF INCOME

	Year ended		Year ended	
	31.12.2011		31.12.2010	
	Rs.	%	Rs.	%
1 Raw Materials/Bought-out Components Consumed	3984	52.14	3022	48.21
2 Employee Cost	1050	13.74	918	14.64
3 Administrative, Sales & Other Expenses	1738	22.75	1375	21.93
4 Interest	28	0.37	5	0.08
5 Depreciation	218	2.85	207	3.30
6 Taxation				
Current	199	2.60	254	4.05
Deferred	(5)	(0.07)	(27)	(0.43)
On Dividend	22	0.29	28	0.45
7 Dividend	139	1.82	174	2.78
8 Retained Earnings	268	3.51	313	4.99
TOTAL	7641	100.00	6269	100.00

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL POSITION AT A GLANCE

	Year ended 31.12.2011	Rs. in million Year ended 31.12.2010
CAPITAL		
ASSETS OWNED		
1. Fixed Assets (net)	1624	1600
2. Investments	64	64
3. Current Assets (Net)	2793	2059
4. Deferred Tax Balance	52	47
TOTAL	4533	3770
FINANCED BY		
1. Loans	632	137
2. Net Worth*	3901	3633
TOTAL	4533	3770
*Represented by		
Share Capital	348	174
Reserves (Net)	3553	3459
TOTAL	3901	3633
INCOME EARNED		
1. Sales of Products and Services	7466	6085
2. Other Income	175	184
TOTAL	7641	6269
INCOME DISTRIBUTED		
1. Materials Consumed	3984	3022
2. Employee Cost	1050	918
3. Expenses	1738	1375
4. Interest	28	5
5. Depreciation	218	207
6. Taxation		
Current	199	254
Deferred	(5)	(27)
On Dividend	22	28
7. Dividend	139	174
8. Retained Income	268	313
TOTAL	7641	6269

MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
CAPITAL ACCOUNTS (Rs. in million)					
Liabilities					
Share Capital	348	174	174	174	174
Reserves & Surplus	3553	3459	3146	2739	2203
Borrowings	632	137	75	313	251
Assets					
Gross Block	3265	3095	2645	2314	1954
Net Block	1624	1600	1579	1397	898
Investments	64	64	64	64	71
Net Current Assets	2793	2059	1732	1754	1649
Deferred Tax Assets	52	47	20	11	10
REVENUE ACCOUNTS (Rs. in million)					
Sales and Other Income	7641	6269	5753	6065	4762
Gross Profit before interest and depreciation	870	954	1230	1139	795
Interest	28	5	18	23	6
Depreciation	219	207	204	130	110
Profit before tax	623	742	1008	986	679
Profit after tax	429	515	665	638	460
Tax on Dividend	22	28	37	16	16
Dividend amount	139	174	218	96	96
Retained earnings	268	313	407	535	359
SELECTED INDICATORS					
Return on Capital Employed %	14.36	19.81	30.22	31.29	26.07
Current Ratio	2.08	1.89	1.88	1.95	2.04
Earnings per share *	12.35	14.82	19.02	18.60	13.53
Debt equity ratio	0.09	0.04	0.02	0.11	0.11
Book value per share *	112.07	104.38	95.39	83.69	68.30
Dividend %	40	100	125	55	55
Fixed Assets Turnover	4.71	3.92	3.64	4.34	5.30

* The Company has issued bonus shares in the ratio of 1:1 in its EGM on 05.04.2011, allotted on 20.04.2011. The EPS/book value figures for the previous years have been reworked to give effect to this allotment of bonus shares.

REPORT ON CORPORATE GOVERNANCE

ANNEXURE TO BOARD'S REPORT

A. MANDATORY REQUIREMENTS

1. Company's philosophy of Corporate Governance

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

2. Board of Directors

(a) Composition

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

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

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM
Mr. G. Swarup	Chairman – NED	6	Yes
Mr. A.R. Broacha	NED – I	6	Yes
Mr. D.N. Damania	NED – I	5	Yes
Mr. N.N. Kampani	NED – I	5	Yes
Dr. A. Lee	NED	3	No
Dr. W. Schmitt	NED	2	No
Mr. Pradip Shah	NED – I	4	No
Mr. W. Spiegel	Managing Director –ED	6	Yes

ED – executive director

NED- I – non-executive director - independent

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Name of the Director	No. of Directorships in other Boards *	No. of Memberships in other Board Committees #	No. of Chairmanships in other Board Committees #
Mr. G. Swarup	20	Nil	Nil
Mr. A.R. Broacha	2	Nil	Nil
Mr. D.N. Damania	10	3	Nil
Mr. N.N. Kampani	11	2	1
Dr. A. Lee	18	Nil	Nil
Dr. W. Schmitt	7	Nil	Nil
Mr. Pradip Shah	21	6	1
Mr. W. Spiegel	10	Nil	Nil

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

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

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

Sr. No.	Date
1.	24.02.2011
2.	07.04.2011
3.	10.05.2011
4.	29.07.2011
5.	18.10.2011
6.	16.12.2011

3. Audit Committee

i. Terms of Reference:

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

ii. Composition, Name of Members and Chairperson

Name of Member	No. of Meetings attended
Mr. N.N. Kampani, Chairman	5
Mr. D.N. Damania	5
Mr. G. Swarup	5
Dr. A. Lee	2
Mr. A.R. Broacha	5

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

Sr. No.	Date
1.	24.02.2011
2.	10.05.2011
3.	29.07.2011
4.	14.10.2011
5.	16.12.2011

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

4. Remuneration of Directors

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

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

Name of the Director	Salary	Commission	Performance linked bonus	Perquisites and Contribution to Provident Fund	Rs. in 000's
					Terms of appointment
Mr. W. Spiegel	1620	810	-	1109	5 years, from 01.01.2012 to 31.12.2016

Notes:

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Payments made for the period 1.1.2011 to 31.12.2011 are as under:

Rs. in 000's

Name of the Directors	Directors' Fees	Commission
Mr. G. Swarup	85	350
Mr. A.R. Broacha	85	350
Mr. D.N. Damania	70	350
Mr. N.N. Kampani	50	350
Dr. A. Lee	30	350
Mr. Pradip Shah	40	350
Dr. W. Schmitt	20	350

5. Shareholders'/ Investors' Grievance Committee

i. Composition

Members of the Committee are: -

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

The meeting of the Committee was held on 18th October, 2011 which was attended by the then available members.

ii. Compliance Officer

Mr. M.G. Bhave, Company Secretary

iv. Complaints

86 complaints were received during the year under review. All the complaints have been solved to the satisfaction of the shareholders. There were no pending transfers as on 31st December, 2011.

REPORT ON CORPORATE GOVERNANCE (Contd.)

6. General Body meetings

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

Financial Year	Date	Time	Venue
2008	21.04.2009	2.30 p.m.	Bajaj Bhavan, Mumbai
2009	29.04.2010	2.00 p.m.	Bajaj Bhavan, Mumbai
2010	07.04.2011	2.00 p.m.	Bajaj Bhavan, Mumbai

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

Financial Year	Special Resolution Passed
2008	No
2009	No
2010	Yes

(iii) Postal Ballot

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

B) Location and time where an Extra-ordinary General Meeting was held for issue of Bonus Shares to the existing shareholders in proportion of 1:1 -

Financial Year	Date	Time	Venue
2010	05.04.2011	2.00 p.m.	Walchand Hirachand Hall, Indian Merchants' Chambers Building, Mumbai

7. Disclosures

A. Basis of Related Party Transactions

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

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

Name of the Directors	No. of shares held	Dividend paid (Rs.)
Mr. G. Swarup	34000 *	170000.00
Mr. A.R. Broacha	30000 **	149200.00
Mr. D.N. Damania	3200 ***	16000.00

1) * 17000 – Final Dividend
34000 – Interim Dividend

2) ** 14900 – Final Dividend
30000 – Interim Dividend

3) *** 1600 – Final Dividend
3200 – Interim Dividend

REPORT ON CORPORATE GOVERNANCE (Contd.)

- b. An amount of Rs.3,26,750 towards legal and professional services rendered has been paid to A.R. Broacha & Co. in which a non-executive director is a Proprietor.
- c. Related party transactions

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

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

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

B. Disclosure of Accounting Treatment

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

C. Board Disclosures - Risk Management

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

8. Means of Communication

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

9. General Shareholder Information

AGM: Date, Time and Venue	12 th April, 2012 at 2.00 p.m. at Bajaj Bhavan, Ground Floor (Kamalnayan Bajaj Hall), 226, Nariman Point, Mumbai 400 021
Financial Year	The financial year under review covers the period 1 st January, 2011 to 31 st December, 2011. The next financial year would be the calendar year 2012.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Date of Book Closure	28 th March, 2012 to 12 th April,2012 (both days inclusive)
Dividend Payment date	7 th May, 2012 onwards
Listing on Stock Exchanges	1. Bombay Stock Exchange Limited, Mumbai 2. National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1 st April 2011 to 31 st March 2012.
Stock Code	1. 500249 on Bombay Stock Exchange Limited 2. KSB PUMPS – National Stock Exchange of India Limited 3. ISIN Number for NSDL & CDSL -INE/999A01015
Market Price Data: High, Low during each month in last Financial year	Please see Annexure 'A'
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.	The performance of the Company's share relative to the BSE sensitive index is given in Annexure ' B'
Registrar and Transfer Agents	Link Intime India Pvt. Ltd.
Share Transfer System	All the transfers received are processed by the Registrar and Transfer Agent. To facilitate prompt services to the shareholders, the Company Secretary is authorised to approve transfers not exceeding 300 shares per folio per occasion. These are processed on a fortnightly basis. Transmission, consolidation, sub-division of shares and issue of duplicate share certificates are approved by the Share Transfer Committee/ Board of Directors.
Distribution of Shareholding and Share holding pattern as on 31.12.2011	Please see Annexure 'C'
Dematerialisation of shares and liquidity	98.52% of the Paid-up Capital has been dematerialised as on 31.12.2011.
Outstanding GDRs/ADRs/ Warrants or any Convertible instruments conversion date and likely impact on equity	Not issued
Plant Locations	The Company's plants are located at Pimpri, Chinchwad, Vambori, Coimbatore and Nashik
Address for correspondence	Shareholders should address correspondence to: Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (W) Mumbai 400 078 Phone 022-25946970 E mail rnt.helpdesk@linkintime.co.in

REPORT ON CORPORATE GOVERNANCE (Contd.)

B. NON-MANDATORY REQUIREMENTS

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

The Company has non-executive Chairman.

b. Tenure of Independent Directors

Under review

c. Re : Remuneration Committee

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

d. Shareholders' Rights – Re : half yearly results

In due course it is proposed to introduce.

e. Audit Qualifications

The financial statements of the Company are unqualified.

f. Training of Board Members

g. Mechanism for evaluating non-executive Board members

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

h. Whistle Blower Policy

Whistle Blower policy is not adopted by the company

On behalf of the Board of Directors

G. SWARUP
Chairman

Mumbai, 22nd February, 2012

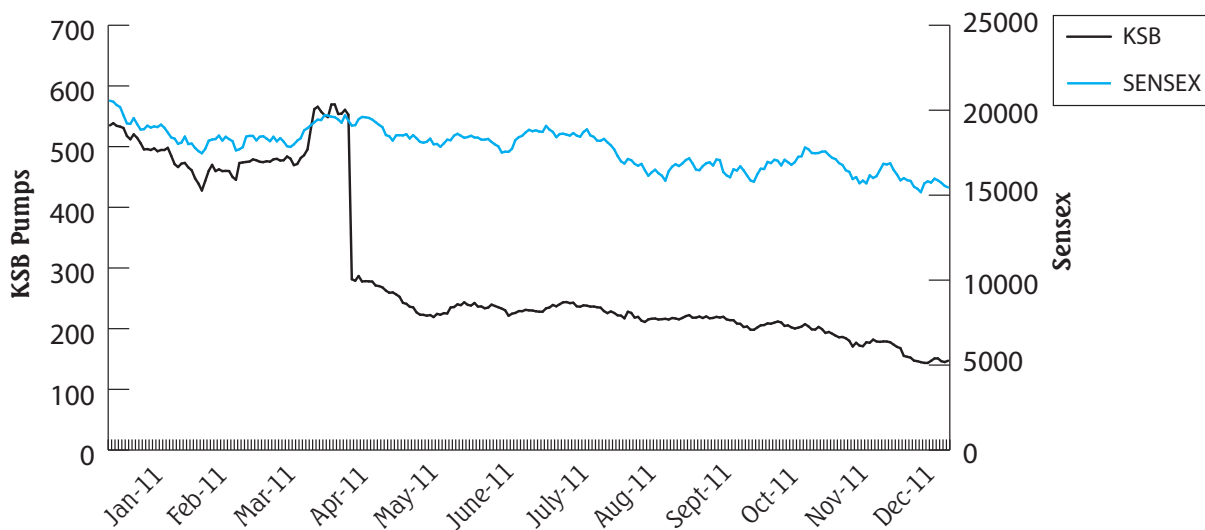
REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE A

Price and volume of shares traded

Month/Year	Bombay Stock Exchange Ltd,			National Stock Exchange of India Ltd.		
	High (Rs.)	Low (Rs.)	Volume traded	High (Rs.)	Low (Rs.)	Volume traded
January, 11	544.90	461.05	77915	549.85	460.00	35758
February, 11	493.90	425.00	55733	489.40	400.90	79775
March, 11	590.00	464.00	81708	615.00	459.00	149801
April, 11	585.00	266.05	186494	595.00	266.05	222435
May, 11	274.75	217.35	60761	278.50	217.05	131461
June, 11	246.45	220.20	32169	245.90	221.00	47912
July, 11	252.00	222.30	54704	246.50	212.15	75981
August, 11	239.90	208.00	36323	234.80	206.00	49426
September, 11	227.65	199.00	39373	229.40	200.25	58132
October, 11	222.85	195.00	14656	215.00	198.00	43409
November, 11	210.00	165.00	29727	210.00	165.00	46711
December, 11	193.05	141.50	81572	181.95	135.20	44115

ANNEXURE B



2011

REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNEXURE C

Distribution of shareholding as on 31st December, 2011

Number of shares held	Members		Shares	
	Number	%	Number	%
1-500	9794	80.96	1182998	3.40
501-1000	1100	9.09	836704	2.40
1001-2000	724	5.98	1093476	3.14
2001-3000	219	1.81	529150	1.52
3001-4000	89	0.74	317132	0.91
4001-5000	50	0.41	229307	0.66
5001-10000	60	0.50	419286	1.20
10001 and above	62	0.51	30199791	86.77
TOTAL	12098	100.00	34807844	100.00

Shareholding pattern as on 31st December, 2011

Category	No. of Members	No. of Shares held	% to the Capital
Indian Promoters	9	9140410	26.26
Foreign Promoters	1	14110848	40.54
Mutual Funds & UTI	7	3287840	9.44
Banks, Financial Institutions and Insurance Companies	4	2134	0.01
Foreign Institutional Investors	10	239603	0.69
Private Corporate Bodies	317	2779051	7.98
Indian Public	11437	4962626	14.26
Foreign Nationals/NRIs	313	285332	0.82
TOTAL	12098	34807844	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
KSB Pumps Limited

We have examined the compliance with conditions of Corporate Governance by KSB Pumps Ltd., for the year ended on 31st December, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

Based on the representation received from the Company and certified by the Registrars and Transfer Agents, no investor grievance is pending for a period exceeding one month as on 31st December, 2011 against the Company and the Registrars and Transfer Agents have reported to the Shareholders/Investors Grievances Committee on the status of the grievances.

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

For Nilesh Shah & Associates
Company Secretaries

(Nilesh Shah)
Partner

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

Mumbai, 22nd February, 2012

DISCLOSURE/DECLARATION UNDER LISTING AGREEMENT

A. DISCLOSURE UNDER CLAUSE 32

Sr. No.	Disclosure of loans / advances / investments outstanding during the year	As at 31 st December, 2011 Rs.	Maximum amount during the year Rs.
1.	Loans and advances in the nature of loans to subsidiary	NIL	NIL
2.	Loans and advances in the nature of loans to associate	NIL	NIL
3.	Loans and advances in the nature of loans where there is		
	a. No repayment schedule or repayment beyond seven years of the Companies Act, 1956	NIL	NIL
	b. No interest or interest below sec. 372A of the Companies Act, 1956	NIL	NIL
4.	Loans and advances in the nature of loans to firms/companies in which directors are interested	NIL	NIL

B. DECLARATION UNDER CLAUSE 49

All Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2011.

Mumbai, 22nd February, 2012

W. Spiegel
Managing Director

ANNEXURE TO BOARD'S REPORT

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

(A) The financial year of the Subsidiary Company	Year ended 31st December, 2011
(B) (a) Number of shares held by KSB Pumps Limited in Subsidiary Company	5,000 Equity shares of Rs. 100 each
(b) Extent of holding	100.00%
(C) The net aggregate of Profits / (Losses) of the Subsidiary Company so far it concerns the members of KSB Pumps Limited	
(a) not dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2011 amounted to -	
(i) for the subsidiary's financial year ended as in (A) above	Rs. 88.08 lakhs
(ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	Rs. 313.93 lakhs
(b) dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2011 amounted to -	
(i) for the subsidiary's financial year ended as in (A) above	Rs. 80.00 lakhs
(ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	Rs. 100.00 lakhs

	G.Swarup	Chairman
	A.R. Broacha	Directors
	D.N.Damania	
	N.N. Kampani	
	Dr. A Lee	
	P. Shah	
	Dr. W. Schmitt	
	W. Spiegel	Managing Director
Mumbai, 22nd February, 2012	M.G. Bhave Company Secretary	

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

Name	Age Years	Qualifications	Designation/Nature of Duties/ Commencement of Employment and Experience (Years)	Remuneration Received Amount (Rs.)	Name of Previous Employer, Post held
(a) Employed throughout the year					
Dikshit S. D.	63	B.Tech, MBA	Director - Marketing & Sales	01.11.1999 40 7,943,623	Sulzer Pumps India Ltd., Vice President - Sales & Marketing

Notes:

- 1) Remuneration as shown above includes salary, H.R.A., Company's contribution to Provident Fund, Leave Travel Assistance and expenditure incurred by the Company on accommodation and other facilities.
- 2) Perquisites have been valued on the basis of Income-tax Act, 1961 and rules thereof.
- 3) The above employee is not relative of any Director of the Company.

On behalf of the Board of Directors

G. Swarup
Chairman

Mumbai, 22nd February, 2012

ANNEXURE TO BOARD'S REPORT

A. CONSERVATION OF ENERGY

The Company continues to undertake various initiatives to conserve the energy. Improvements for conservation of energy are an ongoing process. Some of the recently implemented measures are introduction of FRP roofing sheets to improve illumination in the machine shop during day time, use of electronic timers to control working hours of air conditioning in the canteen area and use of light sensors in the Assembly shop to control shop lighting automatically.

B. TECHNOLOGY ABSORPTION

1. Import Substitution

High pressure valve range from 12" to 24", which is mainly used in large energy projects, is now available to the market.

2. Performance and Product Improvements

Efforts were taken to further optimise the performance of the range of three phase open well submersible pumpsets and self-priming mini monobloc pumpsets.

3. Research and Development

Development towards new market-specific hydraulics in vertical canister pumps was undertaken. This would provide optimal solutions to the need of energy sector. Development of higher suction self priming jet pump is undertaken during the year.

4. Benefits of Research and Development

The recent introductions of vertical multistage open well submersible pumps are found to be useful for long-distance pumping needs of agriculture

sector. Based on the market needs, further extension of the range shall be undertaken.

5. Future Plans

Introduction of domestic range of hydro pneumatic boosters.

6. Expenditure on Research and Development

	(Rs. in million)	
	Year ended 31.12.2011	Year ended 31.12.2010
(a) Capital	—	—
(b) Recurring	1.0	4.7
(c) Total	1.0	4.7
(d) Total R&D Expenditure as Percentage of total Turnover	0.013	0.07

7. Technology Absorption, Adaptation and Innovation

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs.701 million. Total foreign exchange earned during the year was Rs.783 million. Export orders outstanding for execution are Rs.539 million. Total foreign exchange used during the year was Rs.620 million.

On behalf of the Board of Directors

G Swarup
Chairman

Mumbai, 22nd February, 2012.

AUDITORS' REPORT TO THE SHAREHOLDERS

- (1) We have audited the attached Balance Sheet of KSB Pumps Limited as at 31st December, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in the annexure referred to above, we report that:
- i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub – section (3C) of section 211 of the Companies Act, 1956;
- v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- (5) On the basis of written representations received from the directors, as on 31st December, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Hemant Joshi
Partner

Membership No.: 038019

Pune, 22nd February, 2012

ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KSB PUMPS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 2011.

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

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

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

- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company relating to the manufacture of Power Driven Pumps pursuant to the notification of the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and, on the basis of the information received, are of the opinion that prima facie the prescribed accounts and records have been maintained/ are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
- (ix) (a) According to the records of the Company, apart from the certain instances of delays in depositing undisputed income tax deducted at source, Provident Fund and Sales tax, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income tax, Sales tax, Service Tax, Wealth tax, Custom Duty, Excise Duty, cess and other statutory dues with the appropriate authorities. Based on our audit procedures and according to the information and explanations given to us, there are no arrears of statutory dues which has remained outstanding as at 31st December, 2011 for a period of

more than six months from the date they became payable.

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

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

* stay granted for recovery.

- (x) The Company does not have any accumulated losses as at 31st December, 2011. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution/ bank/ debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

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

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

Hemant Joshi
Partner
Membership No.: 038019

Pune, 22nd February, 2012

Balance Sheet as at 31st December, 2011

	Schedule	As at 31st December, 2011 Rs. in 000's	As at 31 st December, 2010 Rs. in 000's
SOURCES OF FUNDS			
1	SHAREHOLDERS' FUNDS		
a.	Share Capital	348,078	174,039
b.	Reserves And Surplus	3,553,135	3,459,173
		3,901,213	3,633,212
2	LOAN FUNDS		
a.	Secured Loans	631,548	136,161
b.	Unsecured Loans	199	1,112
		631,747	137,273
	Total	4,532,960	3,770,485
APPLICATION OF FUNDS :			
1	FIXED ASSETS		
a.	Gross Block	3,264,891	3,095,197
b.	Less : Depreciation/Amortisation	1,737,362	1,581,936
c.	Net block	1,527,529	1,513,261
d.	Add: Capital work in progress	69,655	60,605
e.	Add: Capital advances	26,641	26,379
		1,623,825	1,600,245
2	INVESTMENTS	63,550	63,550
3	DEFERRED TAX BALANCE		
a.	Deferred tax Asset	140,626	129,981
b.	Deferred tax Liability	88,294	83,078
		52,332	46,903
4	CURRENT ASSETS, LOANS AND ADVANCES:		
a.	Inventories	1,980,191	1,585,005
b.	Sundry debtors	1,874,378	1,126,987
c.	Cash and bank balances	817,393	990,969
d.	Loans and advances	699,522	652,757
		5,371,484	4,355,718
5	LESS : CURRENT LIABILITIES AND PROVISIONS		
a.	Current Liabilities	2,132,787	1,873,652
b.	Provisions	445,444	422,279
		2,578,231	2,295,931
	NET CURRENT ASSETS	2,793,253	2,059,787
	Total	4,532,960	3,770,485

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.G. Bhave
Company Secretary

Pune, 22nd February, 2012

G.Swarup Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt } Directors

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

Profit and Loss Account for the year ended 31st December, 2011

	Schedule	Rs. in 000's	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
INCOME				
Sale of products and services (Gross)		7,904,966		6,415,900
Less : Excise duty		438,559		330,473
Sale of products and services (Net)			7,466,407	6,085,427
Other Income	13		174,912	184,272
			7,641,319	6,269,699
EXPENDITURE				
Materials	14		3,983,510	3,021,602
Payments to and provisions for employees	15		1,049,660	917,606
Other expenses	16		1,751,216	1,388,532
Interest	17		27,760	5,345
Depreciation/Amortisation			218,950	207,419
			7,031,096	5,540,504
Less : Amount Capitalised, etc.			12,715	13,255
			7,018,381	5,527,249
Profit before tax			622,938	742,450
Less : Provision for taxation - Current tax		207,000		254,000
- Deferred tax		(5,429)		(27,346)
			201,571	226,654
Profit after tax			421,367	515,796
Add : Excess / (Short) provision for current taxation in respect of earlier years			8,453	(119)
Net Profit			429,820	515,677
APPROPRIATIONS				
a. Dividend				
Interim			34,808	34,808
Final (proposed)			104,424	139,231
			139,232	174,039
b. Tax on interim dividend			5,647	5,083
c. Tax on proposed final dividend			16,940	23,125
d. Transfer to General Reserve			45,000	55,000
e. Balance carried to Balance Sheet			223,001	258,430
			429,820	515,677
Basic/Diluted Earnings per Equity Share (Nominal Value per share Rs. 10) in Rs.			12.35	14.82

Schedule 18 : Statement of Significant Accounting Policies
Schedule 19 : Notes to the Accounts

Per our report attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

M.G. Bhave
Company Secretary

Pune, 22nd February, 2012

G.Swarup

Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt

Directors

W. Spiegel

Managing Director

Mumbai, 22nd February, 2012

Cash Flow Statement for the year ended 31st December, 2011

	2011		2010	
	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		622,938		742,450
Adjustment for :				
Depreciation	218,950		207,419	
Unrealised exchange (gain) / loss	(1,656)		(1,357)	
Interest expense	27,760		5,345	
(Profit)(-)/ Loss (+) on sale of fixed assets (net)	415		(2,221)	
Income from investments	(46,955)		(33,075)	
Interest income	(81,873)		(72,752)	
		<u>116,641</u>		<u>103,359</u>
Operating profit before changes in Working Capital		<u>739,579</u>		<u>845,809</u>
Adjustments for changes in Working capital and Provisions :				
Trade receivables	(747,391)		(86,467)	
Loans and advances	(62,956)		(88,374)	
Inventories	(395,186)		(421,558)	
Current Liabilities	259,163		301,379	
Provisions	60,081		81,453	
		<u>(886,289)</u>		<u>(213,567)</u>
Cash generated from operations		<u>(146,710)</u>		<u>632,242</u>
Direct taxes paid		<u>(166,090)</u>		<u>(286,477)</u>
Net Cash from Operating activities		<u>(312,800)</u>		<u>345,765</u>
B CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets :				
Purchase	(245,198)		(229,792)	
Sale	1,340		2,683	
Investments :				
Sale	—		17	
Interest received	69,683		58,898	
Income from investments received	46,955		33,075	
Net Cash utilised in investing activities		<u>(127,220)</u>		<u>(135,119)</u>
C CASH FLOW FROM FINANCING ACTIVITIES				
Working capital borrowings	495,387		62,859	
Interest paid	(27,760)		(5,345)	
Dividends	(174,067)		(217,571)	
Tax on dividends	(28,772)		(36,140)	
Net Cash from / used in financing activities		<u>264,788</u>		<u>(196,197)</u>
D UNREALISED EXCHANGE GAIN / (LOSS) IN CASH AND CASH EQUIVALENTS		1,656		1,357
E NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(173,576)</u>		<u>15,806</u>
Cash and Cash Equivalents (Opening balance)		990,969		975,163
Cash and Cash Equivalents (Closing balance)		817,393		990,969

Cash Flow Statement for the year ended 31st December, 2011 (Contd.)

Notes :

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

	As at 31st Dec.2011 Rs.in 000's	As at 31st Dec.2010 Rs.in 000's	As at 31st Dec.2009 Rs.in 000's
Cash,Cheques,Stamps on hand and remittance in transit	388	366	376
Balance with Scheduled banks on :			
Current account :			
Unclaimed dividend account (restricted)	2,063	2,091	2,113
Others	82,636	287,553	282,066
Fixed Deposit account			
- Restricted	653,763	165,953	280,300
- Others	78,543	535,006	410,308
	817,393	990,969	975,163

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

Hemant Joshi
(Partner)

Pune, 22nd February, 2012

M.G. Bhave
Company Secretary

G.Swarup Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt } Directors

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

SCHEDULES TO THE BALANCE SHEET

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
1 SHARE CAPITAL		
Authorised :		
40,000,000 (previous year - 20,000,000)		
Equity Shares of Rs.10 each	400,000	200,000
Issued, subscribed and paid up :		
34,807,844 (previous year -17,403,922)		
Equity Shares of Rs.10 each fully paid up	348,078	174,039

Notes :

- Of the above shares, 33,948,410 (previous year - 16,544,488) shares are allotted as fully paid-up bonus shares by way of capitalisation of general reserve
- Out of the above shares, 890 (previous year - 890) shares have been issued pursuant to the Scheme of Amalgamation with erstwhile Grade-O-Castings Ltd. without payment being received in cash.

2 RESERVES AND SURPLUS

Description	Amalgamation Reserve	Capital Reserve	Capital Redemption Reserve	Share Premium	General Reserve	Profit & Loss Account	Reserves & Surplus Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
As at 31st December, 2010	61	87	100	3,196	1,027,118	2,428,611	3,459,173
	(61)	(87)	(100)	(3,196)	(972,118)	(2,170,181)	(3,145,743)
Less: Transferred to share capital following capitalisation	—	—	—	—	174,039	—	174,039
	61	87	100	3,196	853,079	2,428,611	3,285,134
Transferred from / (to)	—	—	—	—	45,000	223,001	268,001
Profit and Loss Account	—	—	—	—	(55,000)	(258,430)	(313,430)
As at 31st December, 2011	61	87	100	3,196	898,079	2,651,612	3,553,135
	(61)	(87)	(100)	(3,196)	(1,027,118)	(2,428,611)	(3,459,173)

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
3 SECURED LOANS		
Working Capital facilities from banks secured by hypothecation of stocks (including loose tools, stores and spares, book debts and pledge of fixed deposits of Rs.653,763,000 (previous year -Rs. 165,953,000))	631,548	136,161
	631,548	136,161
4 UNSECURED LOANS		
Loans and Advances from other than Banks (in respect of assets taken on finance lease on or after 1st April, 2001) (repayable within one year Rs. 165,198; previous year Rs. 727,409)	199	1,112
	199	1,112

SCHEDULES TO THE BALANCE SHEET (Contd.)

Rs. in 000's

5 FIXED ASSETS

DESCRIPTION	AT COST			DEPRECIATION / AMORTISATION			NET BOOK VALUE	
	As at 31st December, 2010	Additions during the year	Deductions during the year	As at 31st December, 2010	Provided during the year	Deductions during the year	As at 31st December, 2011	As at 31st December, 2010
Tangible Assets								
Freehold land	3,009	—	—	—	—	—	3,009	3,009
Leasehold land	15,505	—	—	2,814	201	—	12,490	12,691
Buildings (see note)	489,419	10,378	4,662	206,912	27,648	3,947	264,522	282,507
Plant and Machinery	2,404,059	199,298	57,458	1,226,444	169,372	56,629	1,206,712	1,177,615
Furniture and fixtures	71,456	4,971	35	54,681	8,279	33	13,465	16,775
Development of property	41	—	—	41	—	—	—	—
Vehicles	39,170	7,095	146	25,387	7,974	142	12,900	13,783
Leased Assets - Vehicles	3,874	—	2,978	3,493	126	2,773	50	381
Intangible Assets (other than internally generated)								
Software	20,641	7,721	—	16,998	4,438	—	6,926	3,643
Rights, techniques, process and technical know-how	48,023	5,510	—	45,166	912	—	7,455	2,857
TOTAL	3,095,197	234,973	65,279	1,581,936	218,950	63,524	1,527,529	1,513,261
Previous year	2,644,542	476,303	25,648	1,399,703	207,419	25,186	69,655	60,605
Capital work-in-progress							26,641	26,379
Capital advances							1,623,825	1,600,245

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

SCHEDULES TO THE BALANCE SHEET (Contd.)

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
6 INVESTMENTS		
LONG TERM :		
Unquoted, Non-trade		
MIL Controls Limited - 735,000 (previous year -735,000) equity shares of Rs.10 each fully paid	62,649	62,649
In subsidiary company :		
Pofran Sales & Agency Ltd.- 5,000 (previous year 5,000) equity shares of Rs. 100 each fully paid	500	500
Indira Vikas Patra	1	1
Others :		
15,995 (previous year - 15,995) shares of Rs.25 each fully paid in Mula Pravara Electric Co-operative Society Limited	400	400
	<u>63,550</u>	<u>63,550</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
7 INVENTORIES		
Stores and spare parts	28,948	21,735
Loose tools	23,580	21,175
Stock-in-trade :		
Raw materials and bought-out components	538,715	429,946
Work-in-progress	873,329	760,374
Finished goods	515,619	351,775
	<u>1,980,191</u>	<u>1,585,005</u>
8 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	173,106	91,041
Considered doubtful	<u>54,030</u>	<u>51,969</u>
	227,136	143,010
Other debts		
Considered good	1,701,272	1,035,946
Considered doubtful	<u>600</u>	<u>17,926</u>
	1,701,872	1,053,872
	<u>1,929,008</u>	<u>1,196,882</u>
Less : Provision for Doubtful Debts	54,630	69,895
	<u>1,874,378</u>	<u>1,126,987</u>
9 CASH AND BANK BALANCES		
Cash on hand	388	366
Balance with scheduled banks on:		
Fixed deposits (including Rs. 653,763,000 pledged with the banks, (previous year - Rs. 165,953,000))	732,306	700,959
Current accounts	<u>84,699</u>	<u>289,644</u>
	817,005	990,603
	<u>817,393</u>	<u>990,969</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

	Rs. in 000's	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
10 LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good *	586,306		516,249
Considered doubtful	8,875		5,315
	<u>595,181</u>		<u>521,564</u>
Less : Provision for doubtful advances	<u>8,875</u>		<u>5,315</u>
		586,306	516,249
Balance with Central Excise authorities		488	727
Taxes paid in advance less provisions (current tax)		112,728	135,781
		<u>699,522</u>	<u>652,757</u>
		<u>699,522</u>	<u>652,757</u>
* includes amount receivable from Company under the same management:KSB Tech Private Ltd. Rs. 1,328 (in 000's) (Previous year - Rs.5,645 (in 000's)). Maximum amount outstanding during the year from KSB Tech Private Ltd. - Rs. 4,196 (in 000's) (Previous year - Rs. 5,645 (in 000's)).			
11 CURRENT LIABILITIES			
Sundry creditors			
Total outstanding dues of Micro enterprises and small enterprises (See note 23 - Schedule 19)	3,288		1,891
Total outstanding dues of creditors other than Micro enterprises and small enterprises	<u>1,598,390</u>		<u>1,433,416</u>
		1,601,678	1,435,307
Other Liabilities (including unclaimed dividends-Rs. 2,062,529 (previous year -Rs. 2,090,898)		108,880	86,776
Advance from customers		422,229	351,569
		<u>2,132,787</u>	<u>1,873,652</u>
		<u>2,132,787</u>	<u>1,873,652</u>
12 PROVISIONS			
Proposed dividend		104,424	139,231
Warranties		24,248	17,688
Leave Encashable		133,782	105,606
Gratuity		92,462	68,119
Other provisions		67,132	66,130
Tax provision less payments (current tax)		6,456	2,380
Tax on proposed final dividend		16,940	23,125
		<u>445,444</u>	<u>422,279</u>
		<u>445,444</u>	<u>422,279</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
13 OTHER INCOME		
Income from Non-trade investments (Long term)	38,955	33,075
Dividend from subsidiary company	8,000	—
Interest on Bank Deposits, delayed payments from dealers/customers, Income tax refunds, etc. (Tax deducted at source -Rs. 5,328,374 ; previous year - Rs. 5,973,763)	81,873	72,752
Sundry credit balances & Provisions no longer required, written back	—	10,593
Profit /Loss on sale / write off of fixed assets (net) (including on sale of leased assets)	—	2,221
Exchange Gain (net)	—	29,821
Miscellaneous income	46,084	35,810
	<u>174,912</u>	<u>184,272</u>
14 MATERIALS		
a Raw materials and components consumed	4,147,913	3,348,834
b Purchase for resale	112,396	34,295
c (Increase)/decrease in stock of Work in progress and Finished goods		
Opening Work in progress	760,374	568,053
Opening Finished goods	351,775	182,569
	<u>1,112,149</u>	<u>750,622</u>
Closing Work in progress	873,329	760,374
Closing Finished goods	515,619	351,775
	<u>1,388,948</u>	<u>1,112,149</u>
	<u>(276,799)</u>	<u>(361,527)</u>
	<u>3,983,510</u>	<u>3,021,602</u>
15 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus (including provision for Leave Encashment Rs. 28,176 (in 000's); previous year - provision Rs. 5,574 (in 000's)	874,033	754,906
Contribution to Provident funds and other funds (including provision for Gratuity Rs.24,343(in 000's); previous year Rs. 43,064 (in 000's))	105,259	101,539
Staff welfare expenses	70,368	61,161
	<u>1,049,660</u>	<u>917,606</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd.)

	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
16 OTHER EXPENSES		
Processing & Machining charges	296,589	201,089
Stores consumed	136,512	113,885
Tools consumed	48,411	39,791
Water, power and fuel	139,519	114,101
Rent	8,157	6,303
Excise duty relating to increase / decrease in finished goods stock	6,655	11,547
Rates and taxes (See note 19 -Schedule 19)	16,511	44,714
Insurance (net)	10,178	8,923
Repairs and maintenance:		
Buildings	3,457	19,371
Machinery (See note 4-Schedule 19)	39,893	45,774
Others	64,939	53,526
	<u>108,289</u>	<u>118,671</u>
Travelling expenses	73,881	72,196
Packing & Forwarding (net of recoveries - Rs. 42,956,397 previous year-Rs.33,925,799)	216,262	156,853
Directors' fees	380	370
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1,300	1,300
Tax audit fees	300	250
Accounts for tax purposes	450	350
Company Law matters	10	10
Fees for other services	1,299	1,166
Reimbursement of out of pocket expenses	234	144
	<u>3,593</u>	<u>3,220</u>
Cost audit fees (net of service tax)	185	160
Commission:		
Sole selling agents	70,069	63,277
Other selling agents	24,652	23,814
	<u>94,721</u>	<u>87,091</u>
Cash and quantity discount	86,177	82,616
Royalty charges	41,571	10,448
In respect of late delivery under contracts	51,526	10,761
Provision for doubtful debts and advances (net)	(11,705)	(7,162)
Exchange Loss (net)	13,271	—
Loss on Sale of Assets (net)	415	—
Legal & Professional charges (including SAP implementation/upgradation expenses - Rs. 75,270,358 ; previous year - Rs. 26,720,105)	106,417	48,611
General Charges	303,701	264,344
	<u>1,751,216</u>	<u>1,388,532</u>
17 INTEREST		
Interest on fixed period loans	2,976	2,936
Others	24,784	2,409
	<u>27,760</u>	<u>5,345</u>

SCHEDULE 18

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Fixed assets and depreciation/amortisation:

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

(b) Depreciation/amortization on fixed assets:

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

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

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

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

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

2. Investments:

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

3. Inventories:

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used.

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

4. Sundry debtors and advances:

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

5. Foreign exchange transactions :

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

6. Revenue Recognition :

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

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

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

7. Employee Benefits:

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

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

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

8. Product Warranty :

Cost of product warranties is disclosed under the head

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

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

9. Taxes on Income :

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

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

10. Leases :

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

SCHEDULE 18 (Contd.)

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

11. Borrowing Costs :

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

12. Cash Flow Statement:

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

13. Use of Estimates:

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

14. Provisions, Contingent Liabilities and Contingent Assets:

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

No provision is recognised for:

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

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

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

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

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

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

15. Earnings per share

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

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

SCHEDULE 19

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

1. Contingent liabilities not provided in respect of:
 - (i) taxation matters in dispute pending at various stages of appeal Rs. 63,823,099 (previous year - Rs. 42,271,000);
 - (ii) claims against the Company not acknowledged as debts Rs.5,970,000 (previous year - Rs. 5,481,000);
 - (iii) bills discounted/cheques purchased with banks Rs. 25,546,920 (previous year - Rs. 20,281,403);
 - (iv) excise matters - Rs. 58,200,000 (previous year - Rs. 49,975,869);
2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 73,854,594 (previous year - Rs. 54,289,595).
3. Guarantees amounting to Rs. 922,356,457 (previous year - Rs. 934,906,075) have been given by the bankers on behalf of the Company, and are secured by the hypothecation of stocks (including loose tools, stores and spares) and book debts.
4. Repairs to machinery include Rs. 24,129,816 (previous year - Rs. 25,896,138) spares consumed.
5. Managerial remuneration under Section 198 of the Companies Act, 1956, to the Directors:

	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
Salary	1,620	1,620
Commission	3,260	3,260
Contribution to Provident Fund	194	194
Perquisites in cash or kind	915	931
Directors' fees	380	370
Total	<u>6,369</u>	<u>6,375</u>

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

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

	Rs.in 000's	Year ended 31st December, 2011 Rs.in 000's	Year ended 31st December, 2010 Rs.in 000's
Profit before tax as per Profit and Loss Account		622,938	742,450
Add: Managerial remuneration	<u>6,369</u>	<u>6,369</u>	<u>6,375</u>
		<u>629,307</u>	<u>748,825</u>
Less: Provision for doubtful debts and advances (net)	11,705		7,162
Capital profit on sale of fixed assets	<u>294</u>		—
		<u>11,999</u>	<u>7,162</u>
Net Profit as per Section 309(5)		<u>617,308</u>	<u>741,663</u>
Commission payable to whole time directors each @ 1% of net profits restricted to 50% of salary for each of the Director		810	810
Commission payable to non-whole time Directors @ 1% of net profits restricted to sum determined by the Board of Directors		<u>2,450</u>	<u>2,450</u>
		<u>3,260</u>	<u>3,260</u>

SCHEDULE 19 (Contd.)

	Year ended 31st December,2011 Rs.in 000's	Year ended 31st December,2010 Rs.in 000's		
7. CIF Value of Imports :				
Raw materials and components	201,647	198,898		
Stores, spares and tools	5,415	489		
Capital goods	44,140	66,366		
Items imported for resale	89,792	31,254		
	<u>340,994</u>	<u>297,007</u>		
8. Expenditure in foreign currency (disclosed on accrual basis) on account of:				
Royalty (net of tax)	37,415	9,228		
Professional fees	52,121	25,659		
Technical Services	243	2,737		
Other matters	116,472	103,299		
9. Earnings in foreign exchange on account of:				
(i) Exports at FOB value	700,693	632,935		
(ii) Recovery of packing and forwarding charges	3,774	4,475		
(iii) Service charges	18,797	4,792		
(iv) Technical services	11,473	6,558		
(v) Commission	35,594	61,606		
(vi) Others	13,050	1,576		
* Excludes Rs. 16,365 (in 000's) (previous year – Rs 12,000(in 000's)) on account of exports to Nepal, consideration for which is receivable in Indian Rupees.				
10. Remittances in foreign currency to non-resident shareholders on account of dividends:				
	Paid in Year 2011		Paid in Year 2010	
	Final	Interim	Final	Interim
(a) Year to which the dividend relates	2010	2011	2009	2010
(b) Number of non-resident shareholders to whom remittance was made	212	224	180	212
(c) Number of shares on which remittance was made	7,273,323	14,548,355	7,193,071	7,288,908
(d) Amount remitted (Rs. in 000's)	58,187	14,548	75,527	14,577

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

SCHEDULE 19 (Contd.)

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

Description	Unit	Year ended 31st December, 2011		Year ended 31st December, 2010	
		Amount Rs. in 000's	Quantity	Amount Rs. in 000's	Quantity
Forgings	Kgs.	179,946	1,137,532	123,660	886,127
Steels	Kgs.	132,076	1,142,678	99,774	912,065
Castings	Kgs.	750,631	4,293,009	643,905	4,293,459
Winding wire & cables	Mtrs.	208,606	42,206,037	153,838	34,735,399
Stampings	Kgs.	161,209	1,179,684	132,175	1,063,498
Electric motors	Nos.	233,561	1,418	243,454	495
Metal scrap	Kgs.	105,295*	3,414,823	91,143*	3,154,940
Melting additions	Kgs.	43,455	185,984	28,904	174,022
Pig Iron	Kgs.	46,766	1,601,650	50,173	1,926,685
Other metals & bought-out components		2,286,368		1,781,808	
		4,147,913		3,348,834	

Notes :

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

Particulars	Year ended 31st December, 2011		Year ended 31st December, 2010	
	Amount Rs. in 000's	Percentage of total consumption	Amount Rs. in 000's	Percentage of total consumption
Raw materials and bought-out components:				
Imported at landed cost	159,147	3.84	153,746	4.59
Indigenously obtained	3,988,766	96.16	3,195,088	95.41
	4,147,913	100.00	3,348,834	100.00

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

SCHEDULE 19 (Contd.)

13. Particulars	Year	Licensed capacity on the basis of maximum utilisation of plant and machinery	Installed capacity (on triple shift basis) as certified by the Management and not verified by the auditors as this is a technical matter
Power Driven Pumps	2011	Not applicable *	Nos. 150,500
	2010	Not applicable *	Nos. 150,500
Industrial Valves	2011	Not applicable *	Nos. 186,000
	2010	Not applicable *	Nos. 186,000
Carbon Steel, Alloy Steel, and Alloy Iron Castings	2011	Tonnes 9000 **	Tonnes 9,000
	2010	Tonnes 9000 **	Tonnes 9,000
Non Ferrous Castings	2011	Tonnes 200 **	Tonnes 200
	2010	Tonnes 200 **	Tonnes 200

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

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

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

Particulars	Year	OPENING STOCK		PRODUCTION	PURCHASES		SALES / SERVICES		CLOSING STOCK	
		Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Value Rs. in 000's	Qty. Nos.	Value Rs. in 000's
I. a) Power Driven Pumps	2011	22,869	203,394	165,785	-	-	155,744	5,247,800	31,628	270,420
	2010	(15,307)	(84,704)	(152,793)	(-)	(-)	(143,674)	(4,351,850)	(22,869)	(203,394)
b) Spares for above	2011	-	-	-	-	-	-	547,097	-	-
	2010	(-)	(-)	(-)	(-)	(-)	(-)	(483,541)	(-)	(-)
II. a) Industrial Valves	2011	22,774	140,838	163,907	-	-	153,138	1,395,681	29,631	159,004
	2010	(14,628)	(88,643)	(143,655)	(-)	(-)	(131,966)	(1,010,827)	(22,774)	(140,838)
b) Spares for above	2011	-	-	-	-	-	-	10,779	-	-
	2010	(-)	(-)	(-)	(-)	(-)	(-)	(13,318)	(-)	(-)
III Castings Carbon Steel, Alloy Steel & Alloy Iron Castings	2011	-	-	123,714 kgs	-	-	123,714 kgs	6,378	-	-
	2010	(-)	(-)	(153,126) kgs	(-)	(-)	(153,126) kgs	(7,910)	(-)	(-)
IV Export Incentives	2011	-	-	-	-	-	-	11,769	-	-
	2010	(-)	(-)	(-)	(-)	(-)	(-)	(11,448)	(-)	(-)
V Income from services	2011	-	-	-	-	-	-	131,576	-	-
	2010	(-)	(-)	(-)	(-)	(-)	(-)	(145,822)	(-)	(-)
VI Pumps for resale	2011	473	7,543	-	3,503	96,116	2,587	105,202	1,308	83,835
	2010	(549)	(9,222)	(-)	(1,782)	(30,814)	(1,858)	(55,894)	(473)	(7,543)
VII Valves for resale	2011	-	-	-	1,297	16,280	982	10,125	315	2,360
	2010	(-)	(-)	(-)	(22)	(3,481)	(22)	(4,817)	(-)	(-)
TOTAL	2011	-	351,775	-	-	112,396	-	7,466,407	-	515,619
	2010	-	(182,569)	-	-	(34,295)	-	(6,085,427)	-	(351,775)

NOTES:

- Opening stock includes :-
 - Nil pumps (previous year - 79 pumps) scrapped / written off during the year.
- Production includes :-
 - 3,600 valves (previous year - 3,282 valves)meant for captive consumption.
 - Nil pump (previous year - 3 pumps) meant for captive consumption.
- Sales exclude :-
 - 251 pumps (previous year - 105 pumps) and 312 valves (previous year - 261 valves) given as free replacement.
 - 6 pumps (previous year - 114 pumps) lost in transit during the year.
 - 1025 pumps (previous year - 1,256 pumps) manufactured on behalf of the Company by a third party given as free replacement..
 - 78 pumps for resale (previous year Nil pumps) scrapped/ written off.
 - 3 pumps for resale (previous year Nil pumps) lost in transit during the year.
- Production includes 46,522 pumps (previous year 46,008 pumps) manufactured on behalf of the Company by a third party.
- The Company sells as spare parts a proportion of its manufactured components.The Company considers a component as "meant for sale" only when it is actually sold or transferred to the marketing offices for sale.The manufactured components sold during the year are 226,445 numbers (previous year - 210,211 numbers). It is not practicable to furnish quantitative information in respect of stock of spares in view of considerable number of items diverse in size and nature.
- In respect of Power Driven Pumps, whilst the components ,including motors are invoiced on delivery & the value reflected in the turnover of the year of delivery or in closing stock, as the case may be , for the purpose of quantitative information a Power Driven Pump is treated as having being produced / sold during the year in which the main component i.e. the pump is produced and sold respectively.
- The quantity disclosed under production for castings is the quantity sold, as the Company considers production "meant for sale" only when it is sold.

SCHEDULE 19 (Contd.)

15. Research and Development expenditure debited to the Profit and Loss Account aggregating Rs. 1,069,200 (previous year - Rs. 4,748,150) has been incurred by the Company and disclosed under appropriate account heads.
16. The net exchange differences arising during the year recognised appropriately in the profit and loss account - net loss- Rs. 13,270,612 (previous year – net gain Rs. 29,821,365)

17. Particulars of assets taken on finance lease on or after 1st April,2001:

- (i) Total minimum lease payments as at the balance sheet date is Rs. 218,602 (previous year – Rs. 1,227,972) and the present value of total minimum lease payments as at the balance sheet date is Rs. 198,533 (previous year – Rs. 1,112,260). The difference represents the finance charge payable in the future.
- (ii) Total of minimum lease payments at the balance sheet date:

Payable	Total minimum lease payments at the balance sheet date		Present value of minimum lease payments	
	Current year Rs.	Previous year Rs.	Current year Rs.	Previous year Rs.
Not later than one year	171,072	752,204	165,198	727,409
Later than one year and not later than five years	47,530	475,768	33,335	384,851
Later than five years	—	—	—	—

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

18. Related party disclosures

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

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

SCHEDULE 19 (Contd.)

(B) Related Party Transactions

Nature of transactions	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the enterprise exercise significant influence	Total
	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's	Rs.in 000's
Purchase of goods	44,405 (9,537)	-	8,658 (4,146)	70,905 (31,204)	-	-	-	-	-	123,968 (44,887)
Purchase of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Sale of goods	131,977 (261,448)	-	-	393,437 (255,357)	-	-	-	-	9,647 (8,659)	535,061 (525,464)
Income from services	20,106 (14,290)	78 (-)	-	15,346 (10,257)	-	-	-	-	5	35,535 (24,547)
Order Cancellation Charges received	13,050 (1,576)	-	-	-	-	-	-	-	-	13,050 (1,576)
Site expenses paid	-	-	-	2,241	-	-	-	-	-	2,241
Commission income	(160)	-	-	(2,428)	-	-	-	-	-	(2,588)
Commission paid	32,409 (59,245)	-	-	3,185 (2,335)	-	-	-	-	-	35,594 (61,580)
Dividend received	-	-	-	70,069 (63,277)	-	-	-	-	-	70,069 (63,277)
Charges paid for technical / Professional services	-	8,000 (-)	38,955 (33,075)	-	-	-	-	-	-	46,955 (33,075)
Royalty paid	90,678 (53,845)	-	-	5,806 (12,421)	-	-	-	-	-	96,484 (66,266)
Warranty charges paid	41,184 (9,967)	-	-	387 (286)	-	-	-	-	-	41,571 (10,253)
Rent received	-	-	-	11	-	-	-	-	-	11
Recovery of expenses	-	60 (60)	1,610 (1,610)	-	-	-	-	-	-	1,670 (1,670)
	1,157 (522)	624 (657)	14,768 (9,885)	6,526 (3,251)	-	-	-	-	-	23,075 (14,315)

SCHEDULE 19 (Contd.)

(B) Related Party Transactions	Nature of transactions										Total	
	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the enterprise exercise significant influence	Rs.in 000's		Rs.in 000's
Reimbursement of expenses	786	-	-	430	-	-	-	-	-	-	-	1,216
Technical knowhow	(591)	(-)	(-)	(85)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(676)
Remuneration	(1,717)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(1,717)
Sitting fees paid	-	-	-	-	3,539	-	-	-	-	-	-	3,539
Dividend paid	(-)	(-)	(-)	(-)	(3,555)	(-)	(-)	(-)	(-)	(-)	(-)	(3,555)
Commission to Directors	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Amounts outstanding at year end	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
- Receivable	53,183	560	3,536	138,146	-	-	-	-	-	632	196,057	
- Payable	(53,596)	(-)	(2,389)	(75,294)	(-)	(-)	(-)	(-)	(-)	(2,723)	(134,002)	
Provision for doubtful debts	128,519	-	-	180,947	-	-	-	-	-	107	309,923	
	(49,319)	(-)	(-)	(142,738)	(-)	(-)	(-)	(-)	(-)	(68)	(192,475)	
	-	-	-	13	-	-	-	-	-	-	13	
	(-)	(-)	(-)	(69)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(69)

Notes:-

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

SCHEDULE 19 (Contd.)

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

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

SCHEDULE 19 (Contd.)

	<p>KSB TESMA S.A., Griechenland KSB Tech. Pvt. Ltd., India GIW Industries Inc., USA KSB Middle East FZE, Dubai KSB Pumpy + Armatury spol. sr. o, Czech KSB Service LLC KSB Pompy Armatura Poland KSB Compania Sudamericana KSB Belgium SA KSB China KSB Pumps & Valves Malaysia KSB Finanz SA KSB AMV SA Spain KSB Finland KSB Morik AB , Sweden KSB Lindflaten, Norway. KSB Oesterreich, Austria KSB Pompes ET Robintteries Sarl, Morocco KSB Argentina KSB Service GMBH KSB Canada</p>
Key management personnel	Mr. W. Spiegel
Individuals having significant influence over the enterprise	Mr. Gaurav Swarup
Relatives of individuals having significant influence over the enterprise	<p>Mrs.Gyan M Swarup Mahendra Swarup & Sons HUF Mr. Vikram Swarup Mrs. Bindu Swarup Mrs. Parul Swarup</p>
Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	<p>The Industrial & Prudential Investment Co. Ltd. New Holding and Trading Company Ltd. Paharpur Cooling Towers Ltd.</p>

SCHEDULE 19 (Contd.)

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

(Rs in 000's)

Particulars	Year 2011		Year 2010	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
Carrying amount at the beginning of the year	17,688	66,130	16,756	34,247
Additional Provision made during the year	31,974	67,132	22,210	66,130
Amount used during the year	(25,347)	—	(20,455)	—
Unused amount reversed during the year	(67)	(66,130)	(823)	(34,247)
Carrying amount at the end of the year	24,248	67,132	17,688	66,130

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

- 1) Warranty :- Warranty costs are accrued at the time products are sold, based on past experience. The provision is discharged over the warranty period of 18 months from the date of sale.
 - 2) Other Provisions (for Statutory levies) :-
Other provision (for statutory levies) are provisions made for potential statutory liabilities expected to be settled within one year.
20. (a) Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2011 as reduced by the provision for 9 months up to 31st December, 2010 and the provision based on the figures for the remaining 9 months up to 31st December, 2011. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2011 will be determined based on the results for the year 1st April, 2011 to 31st March, 2012.
- (b) (i) Break up of deferred tax liability: (Rs. in '000)

Nature of timing difference	As at 31 st December, 2011	As at 31 st December, 2010
Provision for Depreciation	88,294	83,078

- (ii) Break up of deferred tax asset:

Nature of timing difference	As at 31 st December, 2011	As at 31 st December, 2010
Provision for Leave encashment & Gratuity	73,416	57,707
Provision for Doubtful debts and advances	20,607	24,983
Other items	46,603	47,291
Total	140,626	129,981

21. Earnings per Share

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

SCHEDULE 19 (Contd.)

- (c) The Company has issued bonus shares in the ratio of 1 : 1 in its Extra Ordinary General meeting held on 5th April, 2011. These bonus shares were allotted on 20th April, 2011. The EPS figures for the previous year have been reworked to give effect of this allotment of bonus shares, as required by the Accounting Standard (AS) 20- "Earnings per share".

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

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's		Purpose
	Current Year	Previous Year	Current Year	Previous Year	
Forward cover	USD 9,371,332	USD 7,273,666	467,595	338,522	Covering Debtors and future sales
	Euro 1,130,996	Euro 155,880	77,929	9,628	
Forward cover	Euro 113,664	Euro 42,480	7,530	2,668	Covering Creditors and future purchases
	USD 539,324	USD 190,000	24,960	8,617	

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

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's	
	Current Year	Previous Year	Current Year	Previous Year
Sundry creditors	Euro 1,035,163	Euro 1,093,508	72,410	65,645
	USD 5,190,324	USD 3,004,760	280,226	135,192
Sundry Debtors	USD 1,480,723	USD 1,592,882	76,998	69,559
	Euro 436,271	Euro 541,034	29,304	31,943
Bank balances	USD 882,141	USD 2,323,790	45,871	103,618
	Euro 27,985	Euro 31,105	1,880	1,836

23. (a) Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31/12/2011 is Rs. 3,288,628 (previous year – Rs. 1,891,400) including unpaid amounts of Rs. 1,441,628 (previous year – Rs. 719,262) outstanding for more than 45 days. Estimated interest due thereon is Rs. 53,178 (previous year - Rs. 4,811).
- (b) Amount of payments made to suppliers beyond 45 days during the year is Rs.103,452,689 (Previous year – Rs.14,586,344). Interest paid thereon is Rs.Nil (Previous Year – Rs. Nil) and the estimated interest due and payable thereon is Rs.1,261,069 (Previous year - Rs. 236,312).
- (c) The amount of estimated interest accrued and remaining unpaid as at 31/12/2011 is Rs. 1,709,667. (previous year – Rs. 241,123)
- (d) The amount of estimated interest due and payable for the period from 01/01/2012 to actual date of payment or 08/02/2012 (whichever is earlier) is Rs. 20,504.

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

(A) **Defined Contribution Plan**

Amount recognised as an expense in the Profit and Loss Account in respect of Defined Contribution Plans is Rs. 44,231,934 (previous year - Rs. 35,699,623)

(B) **Defined Benefit Plan**

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

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

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

Both the plans are funded.

SCHEDULE 19 (Contd.)

Amount Rs. In '000

	Particulars	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
(C)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :				
1	Present Value of Defined Benefit Obligation as at 1st January	260,214	198,524	21,734	18,625
2	Current Service cost	20,532	10,372	1,378	1,192
3	Interest cost	20,302	15,408	1,639	1,509
4	Losses (gains) on Curtailment	—	—	—	—
5	Liabilities extinguished on settlements	—	—	—	—
6	Plan amendments	—	28,756	—	—
7	Actuarial (gains) / losses	33,517	23,753	1,409	408
8	Benefits paid	(19,157)	(16,599)	(3,000)	—
9	Present Value of Defined Benefit Obligation as at 31st December	315,408	260,214	23,160	21,734
(D)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1	Fair value of Plan assets as at 1st January	192,095	173,469	23,286	19,601
2	Expected return on plan assets	15,879	14,054	1,795	1,612
3	Actuarial gains and (losses)	2,178	174	(598)	973
4	Actual contributions by employers	31,951	20,997	1,310	1,100
5	Benefits paid	(19,157)	(16,599)	(3,000)	—
6	Plan assets as at 31st December	222,946	192,095	22,793	23,286
(E)	Analysis of Defined Benefit Obligation :				
1	Defined Benefit Obligation as at 31st December	315,408	260,214	23,160	21,734
2	Fair Value of Plan Assets at the end of year	(222,946)	(192,095)	(22,793)	(23,286)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	92,462	68,119	367	(1,552)
(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	315,408	260,214	23,160	21,734
2	Fair value of plan assets	222,946	192,095	22,793	23,286
3	Funded status [Surplus/(Deficit)]	(92,462)	(68,119)	(367)	1,552
4	Unrecognised Past Service Costs	—	—	—	—
5	Net Asset/(Liability) recognised in Balance Sheet	(92,462)	(68,119)	(367)	1,552
(G)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	20,532	10,372	1,378	1,192
2	Interest cost	20,302	15,408	1,639	1,509
3	Expected return on plan assets	(15,879)	(14,054)	(1,795)	(1,612)
4	Curtailment cost/(credit)	—	—	—	—
5	Settlement cost/(credit)	—	—	—	—
6	Past Service cost	—	28,756	—	—
7	Actuarial Losses/(Gains)	31,339	23,579	2,007	(565)
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	56,294	64,061	3,229	524

SCHEDULE 19 (Contd.)

Amount Rs. In '000

(H)	Particulars	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"				
(I)	Actuarial Assumptions :				
1	Discount Rate (%)	8.60	8.10	8.60	8.10
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	7.00	6.00	7.00	6.00

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

Amount Rs. In 000's

(J)	Particulars	Gratuity					Superannuation				
		Year 2011	Year 2010	Year 2009	Year 2008	Year 2007	Year 2011	Year 2010	Year 2009	Year 2008	Year 2007
1	Defined Benefit Obligation at end of the period	315,408	260,214	198,524	175,006	128,126	23,160	21,734	18,625	17,321	15,077
2	Plan Assets at end of the period	222,946	192,095	173,469	149,649	129,601	22,793	23,286	19,601	18,782	18,574
3	Funded Status	(92,462)	(68,119)	(25,055)	(25,361)	1,475	(367)	1,552	976	1,461	3,497
4	Experience Gain / (Loss) adjustments on plan liabilities	(42,570)	(7,556)	(14,091)	5,511	N/A	(1,883)	326	(2,056)	1,240	N/A
5	Experience Gain / (Loss) adjustments on plan assets	2,178	174	2,149	(47)	N/A	(598)	973	242	(467)	N/A

(K)	Actual Return on Plan Assets	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
1	Expected return on plan assets	15,879	14,054	1,795	1,612
2	Acturial (gains) and Losses	31,339	23,579	2,007	(565)
3	Actual Return on Plan Assets	47,218	37,633	3,802	1,047

- (L) Contributions expected to be paid to the plan during the next financial year Rs. 38,000(000's) (previous year - Rs. 35,000(000's)).

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

Signature to Schedules 1 to 19

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

Mumbai, 22nd February, 2012

Consolidated Balance Sheet as at 31st December, 2011

	Schedule	As at 31st December, 2011 Rs. in 000's	As at 31 st December,2010 Rs. in 000's
SOURCES OF FUNDS			
1	SHAREHOLDERS' FUNDS		
a.	Share Capital	348,078	174,039
b.	Reserves And Surplus	3,912,709	3,760,497
		4,260,787	3,934,536
2	LOAN FUNDS		
a.	Secured Loans	631,548	136,161
b.	Unsecured Loans	199	1,112
		631,747	137,273
	Total	4,892,534	4,071,809
APPLICATION OF FUNDS			
1	FIXED ASSETS		
a.	Gross Block	3,264,891	3,095,197
b.	Less : Depreciation/Amortisation	1,737,362	1,581,936
c.	Net block	1,527,529	1,513,261
d.	Add: Capital work in progress	69,655	60,605
e.	Add: Capital advances	26,641	26,379
		1,623,825	1,600,245
2	INVESTMENTS	383,752	332,982
3	DEFERRED TAX BALANCE		
a.	Deferred tax Asset	140,626	129,981
b.	Deferred tax Liability	88,294	83,078
		52,332	46,903
4	CURRENT ASSETS, LOANS AND ADVANCES		
a.	Inventories	1,980,191	1,585,005
b.	Sundry debtors	1,886,950	1,138,409
c.	Cash and bank balances	844,880	1,010,444
d.	Loans and advances	700,071	653,844
		5,412,092	4,387,702
5	LESS : CURRENT LIABILITIES AND PROVISIONS		
a.	Current Liabilities	2,133,431	1,873,744
b.	Provisions	446,036	422,279
		2,579,467	2,296,023
	NET CURRENT ASSETS	2,832,625	2,091,679
	Total	4,892,534	4,071,809

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Hemant Joshi
(Partner)

Pune, 22nd February, 2012

M.G. Bhave
Company Secretary

G.Swarup Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt } Directors

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

Consolidated Profit and Loss Account for the year ended 31st December, 2011

	Schedule	Rs. in 000's	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
INCOME				
Sale of products and services (Gross)		7,928,662		6,432,683
Less : Excise duty		438,559		330,473
Sale of products and services (Net)			7,490,103	6,102,210
Other Income	13		128,907	151,602
			7,619,010	6,253,812
EXPENDITURE				
Materials	14		3,983,510	3,021,602
Payments to and provisions for employees	15		1,050,284	918,315
Other expenses	16		1,749,929	1,388,621
Interest	17		27,760	5,345
Depreciation/Amortisation			218,950	207,419
			7,030,433	5,541,302
Less : Amount Capitalised, etc.			12,715	13,255
			7,017,718	5,528,047
Profit before tax			601,292	725,765
Less : Provision for taxation - Current tax		215,500		259,500
- Deferred tax		(5,429)		(27,346)
			210,071	232,154
Profit after tax			391,221	493,611
Add : Excess / (Short) provision for current taxation in respect of earlier years			8,453	(119)
Net Profit before share of profit of associates			399,674	493,492
Add : Share of profit for the year in respect of investment in Associate Company			89,725	90,411
Net Profit			489,399	583,903
APPROPRIATIONS				
a. Dividend				
Interim			34,808	34,808
Final (proposed)			104,424	139,231
			139,232	174,039
b. Tax on interim dividend			6,976	5,083
c. Tax on proposed final dividend			16,940	23,125
d. Transfer to General Reserve			45,000	55,000
e. Balance carried to Balance Sheet			281,251	326,656
			489,399	583,903
Basic/Diluted Earnings per Equity Share (Nominal Value per share Rs. 10) in Rs.			14.06	16.78

Basic/Diluted Earnings per Equity Share (Nominal Value per share Rs. 10) in Rs.

Schedule 18 : Statement of Significant Accounting Policies

Schedule 19 : Notes to the Accounts

Per our report attached to the Balance Sheet

For Deloitte Haskins & Sells

Chartered Accountants

Hemant Joshi
(Partner)

M.G. Bhave
Company Secretary

Pune, 22nd February, 2012

G.Swarup

Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt

Directors

W. Spiegel

Managing Director

Mumbai, 22nd February, 2012

Cash Flow Statement for the year ended 31st December, 2011

CONSOLIDATED

	2011		2010	
	Rs.in '000s	Rs.in '000s	Rs.in '000s	Rs.in '000s
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		601,292		725,765
Adjustment for :				
Depreciation	218,950		207,419	
Unrealised exchange (gain) / loss	(1,656)		(1,357)	
Interest expense	27,760		5,345	
(Profit)(-)/ Loss (+) on sale of fixed assets (net)	415		(2,221)	
Interest income	(82,883)		(73,570)	
		<u>162,586</u>		<u>135,616</u>
Operating profit before changes in Working Capital		763,878		861,381
Adjustments for changes in Working capital and Provisions :				
Trade receivables	(748,541)		(90,749)	
Loans and advances	(63,505)		(88,374)	
Inventories	(395,186)		(421,558)	
Current Liabilities	259,715		301,396	
Provisions	60,081		81,453	
		<u>(887,436)</u>		<u>(217,832)</u>
Cash generated from operations		(123,558)		643,549
Direct taxes paid		(173,139)		(292,151)
Net Cash from Operating activities		<u>(296,697)</u>		<u>351,398</u>
B CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets :				
Purchase	(245,198)		(229,792)	
Sale	1,340		2,683	
Investments :				
Sale	—		17	
Interest received	70,921		60,214	
Income from investments received	38,955		33,075	
		<u>(133,982)</u>		<u>(133,803)</u>
Net Cash utilised in investing activities		(133,982)		(133,803)
C CASH FLOW FROM FINANCING ACTIVITIES				
Working capital borrowings	495,387		62,859	
Interest paid	(27,760)		(5,345)	
Dividends	(174,067)		(217,571)	
Tax on dividends	(30,101)		(36,140)	
		<u>263,459</u>		<u>(196,197)</u>
Net Cash from / used in financing activities		263,459		(196,197)
D UNREALISED EXCHANGE GAIN / (LOSS) IN CASH AND CASH EQUIVALENTS		1,656		1,357
E NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(165,564)		22,755
Cash and Cash Equivalents (Opening balance)		1,010,444		987,689
Cash and Cash Equivalents (Closing balance)		844,880		1,010,444

Cash Flow Statement for the year ended 31st December, 2011 (Contd.) **CONSOLIDATED**

Notes :

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

	As at 31st Dec. 2011 Rs.in '000s	As at 31st Dec. 2010 Rs.in '000s	As at 31st Dec. 2009 Rs.in '000s
Cash, Cheques, Stamps on hand and remittance in transit	390	370	378
Balance with Scheduled banks on :			
Current account :			
Unclaimed dividend account (restricted)	2,063	2,091	2,113
Others	87,621	295,683	284,590
Fixed Deposit account			
- Restricted	653,763	165,953	280,300
- Others	101,043	546,347	420,308
	844,880	1,010,444	987,689

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

Hemant Joshi
(Partner)

Pune, 22nd February, 2012

M.G. Bhawe
Company Secretary

G.Swarup Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt } Directors

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

SCHEDULES TO THE BALANCE SHEET

CONSOLIDATED

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's					
1 SHARE CAPITAL							
Authorised :							
40,000,000 (previous year - 20,000,000) Equity Shares of Rs.10 each	400,000	200,000					
Issued, subscribed and paid up :							
34,807,844 (previous year -17,403,922) Equity Shares of Rs.10 each fully paid up	348,078	174,039					
2 RESERVES AND SURPLUS							
Description	Amalgamation Reserve Rs. in 000's	Capital Reserve Rs. in 000's	Capital Redemption Reserve Rs. in 000's	Share Premium Rs. in 000's	General Reserve Rs. in 000's	Profit & Loss Account Rs. in 000's	Reserves and Surplus Total Rs. in 000's
As at 31st December, 2010	61 (61)	87 (87)	100 (100)	3,196 (3,196)	1,028,018 (973,018)	2,729,035 (2,402,379)	3,760,497 (3,378,841)
Less: Transferred to share capital following capitalisation	-	-	-	-	174,039	-	174,039
	61	87	100	3,196	853,979	2,729,035	3,586,458
Transferred from / (to)	-	-	-	-	45,000	281,251	326,251
Profit and Loss Account	-	-	-	-	(55,000)	(326,656)	(381,656)
As at 31st December, 2011	61 (61)	87 (87)	100 (100)	3,196 (3,196)	898,979 (1,028,018)	3,010,286 (2,729,035)	3,912,709 (3,760,497)
3 SECURED LOANS							
Working Capital facilities from banks secured by hypothecation of stocks (including loose tools, stores and spares, book debts and pledge of fixed deposits of Rs.653,763,000 (previous year -Rs. 165,953,000))					631,548		136,161
					631,548		136,161
4 UNSECURED LOANS							
Loans and Advances from other than Banks (in respect of assets taken on finance lease on or after 1st April, 2001) (repayable within one year Rs. 165,198; previous year Rs. 727,409)					199		1,112
					199		1,112

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

5 FIXED ASSETS

DESCRIPTION	AT COST			DEPRECIATION/AMORTISATION			NET BOOK VALUE			
	As at 31st December 2010	Additions during the year	Deductions during the year	As at 31st December 2011	Upto 31st December 2010	Provided during the year	Deductions during the year	Upto 31st December 2011	As at 31st December 2010	As at 31st December 2011
Tangible Assets										
Freehold land	3,009	-	-	3,009	-	-	-	-	3,009	3,009
Leasehold land	15,505	-	-	15,505	2,814	201	-	3,015	12,490	12,691
Buildings (see note)	489,419	10,378	4,662	495,135	206,912	27,648	3,947	230,613	264,522	282,507
Plant and Machinery	2,404,059	199,298	57,458	2,545,899	1,226,444	169,372	56,629	1,339,187	1,206,712	1,177,615
Furniture and fixtures	71,456	4,971	35	76,392	54,681	8,279	33	62,927	13,465	16,775
Development of property	41	-	-	41	41	-	-	41	-	-
Vehicles	39,170	7,095	146	46,119	25,387	7,974	142	33,219	12,900	13,783
Leased Assets - Vehicles	3,874	-	2,978	896	3,493	126	2,773	846	50	381
Intangible Assets (other than internally generated)										
Software	20,641	7,721	-	28,362	16,998	4,438	-	21,436	6,926	3,643
Rights, techniques, process and technical know-how	48,023	5,510	-	53,533	45,166	912	-	46,078	7,455	2,857
TOTAL	3,095,197	234,973	65,279	3,264,891	1,581,936	218,950	63,524	1,737,362	1,527,529	1,513,261
Previous year	2,644,542	476,303	25,648	3,095,197	1,399,703	207,419	25,186	1,581,936	69,655	60,605
Capital work-in-progress									26,641	26,379
Capital advances									1,623,825	1,600,245

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

SCHEDULES TO THE BALANCE SHEET (Contd.)**CONSOLIDATED**

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
6 INVESTMENTS		
LONG TERM :		
Unquoted		
In Associates		
Carrying cost of investment in Associate (See note 17) (including Rs. 24,520,000 (previous year - Rs. 24,520,000) of goodwill arising on acquisition of Associate)	383,351	332,581
Indira Vikas Patra	1	1
Others :		
15,995 (previous year - 15,995) shares of Rs.25 each fully paid in Mula Pravara Electric Co-operative Society Limited	400	400
	<u>383,752</u>	<u>332,982</u>
7 INVENTORIES		
Stores and spare parts	28,948	21,735
Loose tools	23,580	21,175
Stock-in-trade :		
Raw materials and bought-out components	538,715	429,946
Work-in-progress	873,329	760,374
Finished goods	515,619	351,775
	<u>1,980,191</u>	<u>1,585,005</u>

SCHEDULES TO THE BALANCE SHEET (Contd.)

CONSOLIDATED

	Rs. in 000's	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
8 SUNDRY DEBTORS			
(Unsecured)			
Debts outstanding for a period exceeding six months			
Considered good	173,106		91,041
Considered doubtful	54,030		51,969
	<u> </u>	227,136	<u> </u> 143,010
Other debts			
Considered good	1,713,844		1,047,368
Considered doubtful	600		17,926
	<u> </u>	1,714,444	<u> </u> 1,065,294
		<u> </u> 1,941,580	<u> </u> 1,208,304
Less : Provision for Doubtful Debts		54,630	69,895
		<u> </u> 1,886,950	<u> </u> 1,138,409
		<u> </u>	<u> </u>
9 CASH AND BANK BALANCES			
Cash on hand		390	370
Balance with scheduled banks on:			
Fixed deposits (including Rs. 653,763,000 pledged with the banks, (previous year - Rs. 165,953,000))	754,806		712,300
Current accounts	89,684		297,774
	<u> </u>	844,490	<u> </u> 1,010,074
		<u> </u> 844,880	<u> </u> 1,010,444
		<u> </u>	<u> </u>
10 LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good *	586,855		516,589
Considered doubtful	8,875		5,315
	<u> </u> 595,730		<u> </u> 521,904
Less : Provision for doubtful advances	8,875		5,315
	<u> </u>	586,855	<u> </u> 516,589
Balance with Central Excise authorities		488	727
Taxes paid in advance less provisions (current tax)		112,728	136,528
		<u> </u> 700,071	<u> </u> 653,844
		<u> </u>	<u> </u>

* includes amount receivable from Company under the same management:
KSB Tech Private Ltd. Rs. 1,328 (in 000's) (Previous year - Rs. 5,645 (in 000's)).
Maximum amount outstanding during the year from KSB Tech Private Ltd. -
Rs. 4,196 (in 000's) (Previous year - Rs. 5,645 (in 000's)).

SCHEDULES TO THE BALANCE SHEET (Contd.)**CONSOLIDATED**

	As at 31st December, 2011 Rs. in 000's	As at 31st December, 2010 Rs. in 000's
11 CURRENT LIABILITIES		
Sundry creditors :		
Total outstanding dues of Micro enterprises and small enterprises	3,288	1,891
Total outstanding dues of creditors other than Micro enterprises and small enterprises	<u>1,599,034</u>	<u>1,433,508</u>
	1,602,322	1,435,399
Other Liabilities (including unclaimed dividends-Rs. 2,062,529 (previous year -Rs. 2,090,898))	108,880	86,776
Advance from customers	<u>422,229</u>	<u>351,569</u>
	<u>2,133,431</u>	<u>1,873,744</u>
12 PROVISIONS		
Proposed dividend	104,424	139,231
Warranties	24,248	17,688
Leave Encashable	133,782	105,606
Gratuity	92,462	68,119
Other provisions	67,132	66,130
Tax provision less payments (current tax)	7,048	2,380
Tax on proposed final dividend	<u>16,940</u>	<u>23,125</u>
	<u>446,036</u>	<u>422,279</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

CONSOLIDATED

	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
13 OTHER INCOME		
Interest on Bank Deposits, delayed payments from dealers/customers, Income tax refunds, etc. (Tax deducted at source -Rs. 5,440,005 ; previous year - Rs. 6,029,001)	82,883	73,570
Sundry credit balances & Provisions no longer required, written back	—	10,593
Profit /Loss on sale / write off of fixed assets (net) (including on sale of leased assets)	—	2,221
Exchange Gain (net)	—	29,468
Miscellaneous income	46,024	35,750
	<u>128,907</u>	<u>151,602</u>
14 MATERIALS		
a Raw materials and components consumed	4,147,913	3,348,834
b Purchase for resale	112,396	34,295
c (Increase)/decrease in stock of Work in progress and Finished goods		
Opening Work in progress	760,374	568,053
Opening Finished goods	351,775	182,569
	<u>1,112,149</u>	<u>750,622</u>
Closing Work in progress	873,329	760,374
Closing Finished goods	515,619	351,775
	<u>1,388,948</u>	<u>1,112,149</u>
	<u>(276,799)</u>	<u>(361,527)</u>
	<u>3,983,510</u>	<u>3,021,602</u>
15 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus (including provision for Leave Encashment Rs. 28,176 (in 000's); previous year - provision Rs. 5,574 (in 000's))	874,657	755,615
Contribution to Provident funds and other funds (including provision for Gratuity Rs.24,343(in 000's); previous year Rs. 43,064 (in 000's))	105,259	101,539
Staff welfare expenses	70,368	61,161
	<u>1,050,284</u>	<u>918,315</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd.)

CONSOLIDATED

	Rs. in 000's	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
16 OTHER EXPENSES			
Processing & Machining charges		296,589	201,089
Stores consumed		136,512	113,885
Tools consumed		48,411	39,791
Water, power and fuel		139,519	114,101
Rent		8,157	6,303
Excise duty relating to increase / decrease in finished goods stock		6,655	11,547
Rates and taxes (See note 11 -Schedule 19)		16,514	44,725
Insurance (net)		10,178	8,923
Repairs and maintenance:			
Buildings	3,457		19,371
Machinery (See note 4-Schedule 19)	39,893		45,774
Others	64,939		53,526
		108,289	118,671
Travelling expenses		73,881	72,196
Packing & Forwarding (net of recoveries - Rs. 42,956,397 previous year-Rs.33,925,799)		216,262	156,853
Directors' fees		380	370
Auditors' remuneration (net of service tax) and expenses:			
Audit fees	1,320		1,320
Tax audit fees	315		250
Accounts for tax purposes	460		360
Company Law matters	10		10
Fees for other services	1,299		1,166
Reimbursement of out of pocket expenses	238		144
		3,642	3,250
Cost audit fees (net of service tax)		185	160
Commission:			
Sole selling agents	70,069		63,277
Other selling agents	24,652		23,814
		94,721	87,091
Cash and quantity discount		86,177	82,616
Royalty charges		41,571	10,448
In respect of late delivery under contracts		51,526	10,761
Provision for doubtful debts and advances (net)		(11,705)	(7,162)
Exchange Loss (net)		11,887	-
Loss on Sale of Assets (net)		415	-
Legal & Professional charges (including SAP implementation/upgradation expenses - Rs. 75,270,358 ; previous year - Rs. 26,720,105)		106,417	48,611
General Charges		303,746	264,392
		1,749,929	1,388,621
17 INTEREST			
Interest on fixed period loans		2,976	2,936
Others		24,784	2,409
		27,760	5,345

SCHEDULE 18

CONSOLIDATED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Fixed assets and depreciation/amortisation:
 - (a) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.
 - (b) Depreciation/amortization on fixed assets:
 - i) Depreciation on tangible fixed assets is provided at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 on the written down value (WDV) method in respect of buildings, furniture and fixtures and vehicles and on the straight line method (SLM) in respect of other assets. However, the rate of depreciation in respect of the following assets is higher :-

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

Leasehold land and assets taken on lease are amortised over the period of the lease.
 - ii) Intangible assets are amortised on the straight line method at the following rates :

Rights, techniques, Process and Know how	- 14.29 %, 20 %
Software	- 33%
2. Investments:

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

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used.

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

Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.
5. Foreign exchange transactions :

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Realised gains and losses as also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Profit and Loss account. Premium/Discount in respect of Forward Contracts is accounted for over the period of contract.
6. Revenue Recognition :
 - (i) Sales of goods is recognised on shipment or despatch to customers.
 - (ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.
 - (iii) Income from services rendered is accounted for when the work is performed.
7. Employee Benefits:

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

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

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

Cost of product warranties is disclosed under the head

 - (i) 'raw materials and components consumed' as consists of free replacement of spares.
 - (ii) 'general charges' which includes provision for warranties.
9. Taxes on Income :

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

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

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

11. Borrowing Costs :
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.
12. Cash Flow Statement:
- The Cash Flow statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.
13. Use of Estimates:
- The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognized in the year in which the results are known/materialized.
14. Provisions, Contingent Liabilities and Contingent Assets:
- As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.
- No provision is recognised for:
- (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (ii) Any present obligation that arises from past events but is not recognized because-
- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - A reliable estimate of the amount of obligation cannot be made.
- Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.
- Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.
15. Earnings per share
- The company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share.
- Basic earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

SCHEDULE 19

CONSOLIDATED

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

1. Contingent liabilities not provided in respect of:
 - (i) taxation matters in dispute pending at various stages of appeal Rs. 63,823,099 (previous year - Rs. 42,271,000);
 - (ii) claims against the Company not acknowledged as debts Rs.5,970,000 (previous year - Rs. 5,481,000);
 - (iii) bills discounted/cheques purchased with banks Rs. 25,546,920 (previous year - Rs. 20,281,403);
 - (iv) excise matters - Rs. 58,200,000 (previous year - Rs. 49,975,869);
2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 73,854,594 (previous year - Rs. 54,289,595).
3. Guarantees amounting to Rs. 922,356,457 (previous year - Rs. 934,906,075) have been given by the bankers on behalf of the Company, and are secured by the hypothecation of stocks (including loose tools, stores and spares) and book debts.
4. Repairs to machinery include Rs. 24,129,816 (previous year - Rs. 25,896,138) spares consumed.
5. Managerial remuneration under Section 198 of the Companies Act, 1956, to the Directors:

	Year ended 31st December, 2011 Rs. in 000's	Year ended 31st December, 2010 Rs. in 000's
Salary	1,620	1,620
Commission	3,260	3,260
Contribution to Provident Fund	194	194
Perquisites in cash or kind	915	931
Directors' fees	380	370
Total	6,369	6,375

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

6. Research and Development expenditure debited to the Profit and Loss Account aggregating Rs. 1,069,200 (previous year - Rs. 4,748,150) has been incurred by the Company and disclosed under appropriate account heads.
7. The net exchange differences arising during the year recognised appropriately in the profit and loss account - net loss- Rs. 11,886,262 (previous year – net gain Rs. 29,821,365)
8. Particulars of assets taken on finance lease on or after 1st April,2001:
 - (i) Total minimum lease payments as at the balance sheet date is Rs. 218,602 (previous year – Rs. 1,227,972) and the present value of total minimum lease payments as at the balance sheet date is Rs. 198,533 (previous year – Rs. 1,112,260). The difference represents the finance charge payable in the future.
 - (ii) Total of minimum lease payments at the balance sheet date:

Payable	Total minimum lease payments at the balance sheet date		Present value of minimum lease payments	
	Current year Rs.	Previous year Rs.	Current year Rs.	Previous year Rs.
Not later than one year	171,072	752,204	165,198	727,409
Later than one year and not later than five years	47,530	475,768	33,335	384,851
Later than five years	-	-	-	-

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

9 Segment Information :
(A) Primary segments - Business Segments

	Pumps		Valves		Others		Elimination		Total Amount	
	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s
a										
Segment Revenue	6,070,017	5,059,965	1,413,708	1,034,335	6,378	7,910	-	-	7,490,103	6,102,210
Sales to External Customers	-	-	4,966	6,313	468,667	382,964	(473,633)	(389,277)	-	-
Inter Segment Revenue	6,070,017	5,059,965	1,418,674	1,040,648	475,045	390,874	(473,633)	(389,277)	7,490,103	6,102,210
Total Segment Revenue	431,848	648,390	158,130	52,219	(2,481)	(2,671)	-	-	587,497	697,938
Segment Results									(41,328)	(40,398)
Unallocated Corporate expenses									(27,760)	(5,345)
Interest expense									82,883	73,570
Interest & Dividend income									601,292	725,765
Profit before tax									(215,500)	(259,500)
Income taxes									5,429	27,346
Deferred Tax									391,221	493,611
Profit after tax									8,453	(119)
Excess /(short) provision for current taxation in respect of earlier years									399,674	493,492
Net profit									6,078,309	4,840,975
c									1,393,692	1,526,857
Segment Assets	4,407,792	3,482,209	1,305,492	1,028,833	365,025	329,933			7,472,001	6,367,832
Unallocated Corporate Assets									(2,448,994)	(2,129,196)
Total Assets	(1,905,907)	(1,684,866)	(471,795)	(354,741)	(71,292)	(89,589)			(762,220)	(304,100)
d									(3,211,214)	(2,433,296)
Segment Liabilities										
Unallocated Corporate liabilities										
Total Liabilities										
e										
Cost incurred during the period to acquire	153,664	83,190	66,055	17,330	25,479	129,272				
Segment fixed assets										
f										
Depreciation / Amortisation	153,773	147,450	44,080	42,549	21,097	17,420				

Notes :

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

(B) Secondary segments - Geographical Segments

	Domestic		Export		Total	
	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2010 Rs. '000s
Segment revenue by geographical area based on geographical location of customers (including sales, services, export incentives,etc.)	6,692,722	5,360,857	797,381	741,353	7,490,103	6,102,210

Note:

The Company's operating facilities are located in India

SCHEDULE 19 (Contd.)

CONSOLIDATED

10 Related party disclosures

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

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

(B) Related Party Transactions:

Nature of transactions	Controlling Companies	Associate Company	Common Control	Key Management Personnel	Relatives of Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Purchase of goods	44,405 (9,537)	8,658 (4,146)	70,905 (31,204)	-	-	-	-	-	123,968 (44,887)
Purchase of Fixed Assets	-	-	-	-	-	-	-	-	-
Sale of goods	131,977 (261,448)	-	(393) 393,437	(-)	(-)	(-)	(-)	(-)	(393) 535,061
Income from services	20,106 (14,290)	-	15,346 (10,257)	-	-	-	-	5	(525,464) 35,457
Order Cancellation Charges received	13,050 (1,576)	-	-	-	-	-	-	-	13,050 (1,576)
Site expenses paid	(160)	-	2,241	-	-	-	-	-	2,241
Commission income	32,409 (59,245)	-	3,185 (2,335)	(-)	(-)	(-)	(-)	(-)	(2,588) 35,594
Commission paid	-	-	70,069	-	-	-	-	-	(61,580)
Dividend received	(-)	(-)	(63,277)	-	-	-	-	-	70,069
Charges paid for technical / Professional services	90,678 (53,845)	38,955 (33,075)	-	(-)	(-)	(-)	(-)	(-)	(63,277) 38,955
			5,806	(-)	(-)	(-)	(-)	(-)	(33,075)
			(12,421)	(-)	(-)	(-)	(-)	(-)	96,484 (66,266)

Nature of transactions	Controlling Companies	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Royalty paid	41,184 (9,967)	- (-)	387 (286)	- (-)	- (-)	- (-)	- (-)	- (-)	41,571 (10,253)
Warranty charges paid	-	-	11	-	-	-	-	-	11
Rent received	-	1,610	-	-	-	-	-	-	1,610
Recovery of expenses	1,157 (522)	14,768 (9,885)	6,526 (3,251)	- (-)	- (-)	- (-)	- (-)	- (-)	(1,610) 22,451 (13,658)
Reimbursement of expenses	786 (591)	-	430 (85)	- (-)	- (-)	- (-)	- (-)	- (-)	1,216 (676)
Technical knowhow	-	-	-	-	-	-	-	-	-
Remuneration	(1,717)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(1,717)
Sitting fees paid	-	-	-	3,539 (3,555)	- (-)	- (-)	- (-)	- (-)	3,539 (3,555)
Dividend paid	-	-	-	-	-	85	-	-	85
Commission to Directors	(-)	(-)	(-)	(-)	(-)	(65)	(-)	(-)	(65)
Amounts outstanding at year end	70,554 (88,193)	(-)	-	-	-	170 (213)	432 (488)	44,279 (55,348)	115,435 (144,242)
- Receivable	53,183 (53,596)	3,536 (2,389)	138,146 (75,294)	- (-)	- (-)	- (-)	- (-)	632 (2,723)	195,497 (134,002)
- Payable	128,519 (49,319)	-	180,947 (142,738)	-	-	350 (350)	-	107 (68)	309,923 (192,475)
Provision for doubtful debts	-	-	13	-	-	-	-	-	13
	(-)	(-)	(69)	(-)	(-)	(-)	(-)	(-)	(69)

Notes:-

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

SCHEDULE 19 (Contd.)

CONSOLIDATED

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

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

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

SCHEDULE 19 (Contd.)

CONSOLIDATED

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

(Rs in '000)

Particulars	Year 2011		Year 2010	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
Carrying amount at the beginning of the year	17,688	66,130	16,756	34,247
Additional Provision made during the year	31,974	67,132	22,210	66,130
Amount used during the year	(25,347)	-	(20,455)	-
Unused amount reversed during the year	(67)	(66,130)	(823)	(34,247)
Carrying amount at the end of the year	24,248	67,132	17,688	66,130

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

- 1) Warranty :- Warranty costs are accrued at the time products are sold, based on past experience. The provision is discharged over the warranty period of 18 months from the date of sale.
 - 2) Other Provisions (for Statutory levies) :-
Other provision (for statutory levies) are provisions made for potential statutory liabilities expected to be settled within one year.
12. (a) Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2011 as reduced by the provision for 9 months up to 31st December, 2010 and the provision based on the figures for the remaining 9 months up to 31st December, 2011. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2011 will be determined based on the results for the year 1st April, 2011 to 31st March, 2012.

- (b) (i) Break up of deferred tax liability: (Rs. in '000)

Nature of timing difference	As at 31 st December, 2011	As at 31 st December, 2010
Provision for Depreciation	88,294	83,078

- (ii) Break up of deferred tax asset:

Nature of timing difference	As at 31 st December, 2011	As at 31 st December, 2010
Provision for Leave encashment & Gratuity	73,416	57,707
Provision for Doubtful debts and advances	20,607	24,983
Other items	46,603	47,291
Total	140,626	129,981

13. Earnings per Share

- (a) The amount used as the numerator in calculating basic and diluted earnings per share is the Net Profit for the year disclosed in the Profit and Loss Account.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 34,807,844.
- (c) The Company has issued bonus shares in the ratio of 1 : 1 in its Extra Ordinary General meeting held on 5th April, 2011. These bonus shares were allotted on 20th April, 2011. The EPS figures for the previous year have been reworked to give effect of this allotment of bonus shares, as required by the Accounting Standard (AS) 20-"Earnings per share".

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

Particulars	Amount in foreign currency		Equivalent amount Rs.in 000's		Purpose
	Current Year	Previous Year	Current Year	Previous Year	
Forward cover	USD 9,371,332	USD 7,273,666	467,595	338,522	Covering Debtors and future sales
	Euro 1,130,996	Euro 155,880	77,929	9,628	
Forward cover	Euro 113,664	Euro 42,480	7,530	2,668	Covering Creditors and future purchases
	USD 539,324	USD 190,000	24,960	8,617	

SCHEDULE 19 (Contd.)

CONSOLIDATED

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

Particulars	Amount in foreign currency				Equivalent amount Rs. in 000's	
	Current Year		Previous Year		Current Year	Previous Year
Sundry creditors	Euro	1,035,163	Euro	1,093,508	72,410	65,645
	USD	5,190,324	USD	3,004,760	280,226	135,192
Sundry Debtors	USD	1,480,723	USD	1,592,882	76,998	69,559
	Euro	436,271	Euro	734,492	29,304	43,365
Bank balances	USD	882,141	USD	2,323,790	45,871	103,618
	Euro	27,985	Euro	31,105	1,880	1,836

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

(A) Defined Contribution Plan

Amount recognised as an expense in the Profit and Loss Account in respect of Defined Contribution Plans is Rs. 44,231,934 (previous year - Rs. 35,699,623)

(B) Defined Benefit Plan

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

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

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

Both the plans are funded.

Amount Rs. In 000's

(C)	Particulars	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :				
1	Present Value of Defined Benefit Obligation as at 1st January	260,214	198,524	21,734	18,625
2	Current Service cost	20,532	10,372	1,378	1,192
3	Interest cost	20,302	15,408	1,639	1,509
4	Losses (gains) on Curtailment	-	-	-	-
5	Liabilities extinguished on settlements	-	-	-	-
6	Plan amendments	-	28,756	-	-
7	Actuarial (gains) / losses	33,517	23,753	1,409	408
8	Benefits paid	(19,157)	(16,599)	(3,000)	-
9	Present Value of Defined Benefit Obligation as at 31st December	315,408	260,214	23,160	21,734
	(D) Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1	Fair value of Plan assets as at 1st January	192,095	173,469	23,286	19,601
2	Expected return on plan assets	15,879	14,054	1,795	1,612
3	Actuarial gains and (losses)	2,178	174	(598)	973
4	Actual contributions by employers	31,951	20,997	1,310	1,100
5	Benefits paid	(19,157)	(16,599)	(3,000)	-
6	Plan assets as at 31st December	222,946	192,095	22,793	23,286
	(E) Analysis of Defined Benefit Obligation :				
1	Defined Benefit Obligation as at 31st December	315,408	260,214	23,160	21,734
2	Fair Value of Plan Assets at the end of year	(222,946)	(192,095)	(22,793)	(23,286)
3	Net (Asset)/Liability recognised in the Balance Sheet as at 31st December	92,462	68,119	368	(1,552)

SCHEDULE 19 (Contd.)

CONSOLIDATED

Amount Rs. In 000's

	Particulars	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	315,408	260,214	23,160	21,734
2	Fair value of plan assets	222,946	192,095	22,793	23,286
3	Funded status [Surplus/(Deficit)]	(92,462)	(68,119)	(367)	1,552
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/(Liability) recognised in Balance Sheet	(92,462)	(68,119)	(367)	1,552
(G)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	20,532	10,372	1,378	1,192
2	Interest cost	20,302	15,408	1,639	1,509
3	Expected return on plan assets	(15,879)	(14,054)	(1,795)	(1,612)
4	Curtailment cost/(credit)	-	-	-	-
5	Settlement cost/(credit)	-	-	-	-
6	Past Service cost	-	28,756	-	-
7	Actuarial Losses/(Gains)	31,339	23,579	2,008	(565)
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	56,294	64,061	3,229	524
(H)	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"				
(I)	Actuarial Assumptions :				
1	Discount Rate (%)	8.60	8.10	8.60	8.10
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	7.00	6.00	7.00	6.00

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

Amount Rs. In '000s

	Particulars	Gratuity					Superannuation				
		Year 2011	Year 2010	Year 2009	Year 2008	Year 2007	Year 2011	Year 2010	Year 2009	Year 2008	Year 2007
(J)	Experience History										
1	Defined Benefit Obligation at end of the period	315,408	260,214	198,524	175,006	128,126	23,160	21,734	18,625	17,321	15,077
2	Plan Assets at end of the period	222,946	192,095	173,469	149,649	129,601	22,793	23,286	19,601	18,782	18,574
3	Funded Status	(92,462)	(68,119)	(25,055)	(25,361)	1,475	(367)	1,552	976	1,461	3,497
4	Experience Gain /(Loss) adjustments on plan liabilities	(42,570)	(7,556)	(14,091)	5,511	N/A	(1,883)	326	(2,056)	1,240	N/A
5	Experience Gain /(Loss) adjustments on plan assets	2,178	174	2,149	(47)	N/A	(598)	973	242	(467)	N/A

SCHEDULE 19 (Contd.)

CONSOLIDATED

Amount Rs. In 000's

(K)	Particulars	Gratuity		Superannuation	
		Year 2011	Year 2010	Year 2011	Year 2010
1	Expected return on plan assets	15,879	14,054	1,795	1,612
2	Acturial (gains) and Losses	31,339	23,579	2,007	(565)
3	Actual Return on Plan Assets	47,218	37,633	3,802	1,047

(L) Contributions expected to be paid to the plan during the next financial year Rs. 38,000(000's) (previous year- Rs. 35,000(000's)).

16. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS-21) on "Consolidated Financial Statements". The subsidiary considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	% of Voting power held	
		As at 31/12/2011	As at 31/12/2010
Pofran Sales & Agency Ltd.	India	100%	100%

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

For the year 2011:

Sr. no.	Name of Associate and country of Incorporation	Ownership Interest (%)	Original cost of Investment Rs in 000's	Amount of Goodwill in original cost Rs in 000's	Share of Accumulated Profit as at year end Rs in 000's	Carrying cost of Investment (net of dividend) Rs in 000's
1	MIL Controls Ltd. India	49	62,649	24,520	320,702	383,351

For the year 2010

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

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

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

G.Swarup Chairman

A.R. Broacha
D.N.Damania
N.N. Kampani
Dr. A Lee
P. Shah
Dr. W. Schmitt } Directors

M. G. Bhave
Company Secretary

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

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

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

We have audited the attached consolidated balance sheet of KSB Pumps Limited and its subsidiary as at 31st December, 2011. and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the KSB Pumps Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of Pofran Sales and Agency Limited, a subsidiary, whose financial statements reflect total assets of Rs. 39,372,883 as at 31st December, 2011, the total revenues of Rs. 26,168,520 and cash

flows amounting to Rs. 8,011,981 for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors.

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

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

- (a) in the case of the consolidated balance sheet, of the state of affairs of KSB Pumps Limited and its subsidiary as at 31st December, 2011;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

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

Hemant Joshi
Partner
Membership No : 038019

Pune, 22nd February, 2012

POFRAN SALES AND AGENCY LTD.

GENERAL INFORMATION — SUBSIDIARY

BOARD OF DIRECTORS

Vergheese Oommen (Chairman)

V. Ravi Shanker

Dinesh Khanna

REGISTERED OFFICE

104th Mile Stone

Mumbai Pune Road

Pimpri

Pune 411 018

BANKERS

Central Bank of India

AUDITORS

Joshi Apte & Company

BOARD'S REPORT

To
The Shareholders,

The Board of Directors are pleased to submit the report and audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 2011.

FINANCIAL RESULTS AND DIVIDEND

1. Financial Results:

	Rs. in million	
	Year ended 31.12.2011	Year ended 31.12.2010
Sale of services & Other income	26.2	17.6
Profit before tax	25.3	16.4
Provision for tax on income	8.5	5.5
Profit after tax	16.8	10.9
Appropriation:		
Interim Dividend	8.0	—
Tax on interim dividend	1.3	—
Transfer to General Reserve	1.7	—
Carried to Profit and Loss Account	5.8	10.9
Total	16.8	10.9

2. Dividend

During the year an interim dividend of Rs. 80,00,000 was paid. The Board of Directors propose that no further dividend for the year be recommended.

GENERAL REVIEW

(i) Working

During the year under review the Company has earned Rs. 23.8 mio. by way of sale of services. Profit after tax is Rs. 16.8 mio. The Company expects to do better in future.

(ii) Fixed Deposits:

The Company has not accepted any Fixed Deposits.

DIRECTORS

Mr. Dinesh Khanna was appointed as a Director on 14th February, 2012 to fill casual vacancy caused by resignation of Mr. S. D. Dikshit and he retires by rotation at the ensuing annual general meeting u/s 262 of the Companies act, 1956. The Company has received a notice in writing from a member proposing his

candidature for appointment of Director u/s 257 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

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

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

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

AUDITORS

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

On behalf of the Board of Directors,

Vergheese Oommen
Chairman

Pune, 21st February, 2012

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **POFRAN SALES AND AGENCY LIMITED**, as at 31st December 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st December 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2011 from being appointed as a director in terms of clause (g) of sub-section (1) section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2011;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

P. J. APTE
Partner

Pune, 21st February, 2012

M. No. 33212

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF POFRAN SALES AND AGENCY LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011.

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

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

P. J. APTE
Partner

Pune, 21st February, 2012

M. No. 33212

POFRAN SALES AND AGENCY LTD.

Balance Sheet as at 31 st December 2011

	Schedule	As at 31 st December, 2011 Rs.	As at 31 st December, 2010 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a. Share Capital	1	500,000	500,000
b. Reserves And Surplus	2	38,872,883	31,393,345
	Total	<u>39,372,883</u>	<u>31,893,345</u>
APPLICATION OF FUNDS			
1 CURRENT ASSETS, LOANS AND ADVANCES			
a. Sundry debtors	3	12,571,606	11,421,737
b. Cash and bank balances	4	27,487,412	19,475,431
c. Loans and advances	5	549,000	1,087,503
		<u>40,608,018</u>	<u>31,984,671</u>
2 LESS : CURRENT LIABILITIES AND PROVISIONS			
a) Current Liabilities	6	643,594	91,326
b) Provisions	7	591,541	—
		<u>1,235,135</u>	<u>91,326</u>
NET CURRENT ASSETS		<u>39,372,883</u>	<u>31,893,345</u>
	Total	<u>39,372,883</u>	<u>31,893,345</u>

Schedule 10: Statement of Significant Accounting Policies

Schedule 11: Notes to the Accounts

Per our report attached

For Joshi Apte & Company
Chartered Accountants
P J Apte
Partner

Vergheese Oommen Chairman

V Ravi Shanker Director

Pune, 21st February, 2012

Pune, 21st February, 2012

Profit and Loss Account for the year ended 31st December 2011

	Schedule	Year ended 31st December, 2011 Rs.	Year ended 31st December, 2010 Rs.
INCOME			
Sale of services (Gross)		23,774,349	16,804,514
Other Income	8	2,394,171	817,803
		<u>26,168,520</u>	<u>17,622,317</u>
EXPENDITURE			
Management & Administrative Services received		624,259	708,883
Other Expenses	9	236,023	523,653
		<u>860,282</u>	<u>1,232,536</u>
Profit before tax		25,308,238	16,389,781
Less : Provision for taxation - Current tax	8,500,000	<u>8,500,000</u>	5,500,000
Profit after tax		<u>16,808,238</u>	<u>10,889,781</u>
APPROPRIATIONS			
a. Interim Dividend		8,000,000	—
b. Tax On Interim Dividend		1,328,700	—
c. Transfer to General reserve		1,700,000	—
d. Balance carried to Balance Sheet		5,779,538	10,889,781
		<u>16,808,238</u>	<u>10,889,781</u>
Earnings per Equity Share (Nominal Value per share Rs.100)		3,361.65	2,177.96
Schedule 10: Statement of Significant Accounting Policies			
Schedule 11: Notes to the Accounts			
Per our report attached to the Balance Sheet			
For Joshi Apte & Company Chartered Accountants P J Apte Partner		Vergheese Oommen Chairman V Ravi Shanker Director	
Pune, 21st February, 2012		Pune, 21st February, 2012	

POFRAN SALES AND AGENCY LTD.

SCHEDULE TO THE BALANCE SHEET

1 SHARE CAPITAL		As at 31 st December, 2011 Rs.	As at 31 st December, 2010 Rs.
Authorised :			
10,000 equity shares of Rs. 100/- each		1,000,000	1,000,000
Issued, subscribed and paid up :			
5,000 equity shares of Rs. 100/- each fully paid; held by KSB Pumps Ltd; the holding Company (Previous Year 5,000 Shares)		500,000	500,000
2 RESERVES AND SURPLUS :			
Description	General Reserve Rs.	Profit & Loss Account Rs.	Total Rs.
As at 31st Dec.2010	1,900,000	29,493,345	31,393,345
Transfer from /(to)Profit & Loss Account	1,700,000	5,779,538	7,479,538
As at 31st Dec.2011	3,600,000	35,272,883	38,872,883
		As at 31st December, 2011 Rs.	As at 31st December, 2010 Rs.
3 SUNDRY DEBTORS			
Sundry Debtors-considered good		12,571,606	11,421,737
Debts outstanding for a period exceeding six months		—	—
		12,571,606	11,421,737
4 CASH AND BANK BALANCES			
Cash on hand		2,421	4,132
Balance with scheduled bank			
Current accounts	4,984,991		8,130,353
Fixed Deposits	22,500,000	27,484,991	11,340,946
		27,487,412	19,475,431
5 LOANS AND ADVANCES			
Advances recoverable in cash or in kind or for value to be received		549,000	340,361
Taxes Paid in advance less provisions (Current tax)		—	747,142
		549,000	1,087,503
6 CURRENT LIABILITIES			
Sundry creditors & other liabilities		643,594	91,326
		643,594	91,326
7 PROVISIONS			
Tax Provision less advance tax paid (Current tax)		591,541	—
		591,541	—

SCHEDULE TO THE PROFIT & LOSS ACCOUNT

8 Other Income	Year ended 31st December, 2011 Rs.	Year ended 31st December, 2010 Rs.
Interest on Bank Deposits (Tax deducted at source Rs.111,631, Previous Year - Rs. 55,238)	1,009,821	817,803
Exchange Gain	1,384,350	—
	<u>2,394,171</u>	<u>817,803</u>
9 OTHER EXPENSES		
Rent	66,180	66,981
Rates and taxes	2,500	11,045
Audit fees (net of service tax)	48,605	30,000
Exchange Loss	—	353,292
Services at site	78,150	21,167
Printing & stationery	8,840	5,061
Telephone expenses	—	6,660
General charges	31,748	29,447
	<u>236,023</u>	<u>523,653</u>

SCHEDULE NO. 10 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

SCHEDULE NO. 11 NOTES TO ACCOUNTS

- EARNING IN FOREIGN CURRENCY**

	Year ended 31st 31st Dec. 2011 Rs.	Year ended 31st 31st Dec. 2010 Rs.
Commission collected from principal	23,774,349	16,804,514

- The Company neither deals in multiple products/Services nor operates in different geographical areas. As a result, no reportable segment is identified as per the definition contained in Accounting Standard 17(Segment Reporting). Therefore, segment information as per Accounting Standard on Segment Information (AS-17) is not disclosed.

3 Related Party Transaction as per Accounting Standard -18

Sr. No.	Name of the party & address	nature of transaction	For the year 2011		for the year 2010	
			Amount Rs.	Amount o/s on B/S date	Amount Rs.	Amount o/s on B/S date
1	KSB Pumps Ltd. Pimpri Pune 18	Dividend paid	8,000,000	—	—	—
		Office rent	66,180	49,635	60,000	—
		Management & administrative	624,259	446,838	—	—
		Services received	78,150	63,780	708,883	—
		Others	—	—	24,517	—

- Earning Per Share**
Earning Per Share is calculated as follows:-

	Year ended 31st Dec. 2011 Rs.	Year ended 31st Dec. 2010 Rs.
a) Profit/Loss after tax	16,808,238	10,889,781
b) Weighted average number of equity shares	5,000	5,000
c) EPS-Basic & diluted	3,361.65	2,177.96
d) Nominal value of shares	100	100

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

For Joshi Apte & Company Chartered Accountants P J Apte Partner	Verghese Oommen Chairman V Ravi Shanker Director
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Pune, 21st February, 2012

Pune, 21st February, 2012

POFRAN SALES AND AGENCY LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

Particulars	Rs.	2011 Rs.	Rs.	2010 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		25,308,238		16,389,781
Adjustment for:				
Interest Income		(1,009,821)		(817,803)
Operating profit before changes in Working Capital		24,298,417		15,571,978
Adjustments for changes in Working capital -				
Trade receivables	(1,149,869)		(4,281,461)	
Current Liabilities	552,268		17,046	
		(597,601)		(4,264,415)
Cash generated from operations		23,700,816		11,307,563
Direct taxes paid		7,161,317		(5,700,000)
Net Cash from Operating activities		16,539,499		5,607,563
B CASH FLOW FROM INVESTING ACTIVITIES				
Interest received		801,182		1,340,946
C CASH FLOW FROM FINANCING ACTIVITIES				
Interim Dividend paid	8,000,000			—
Tax on dividend	1,328,700			—
		9,328,700		—
D NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,011,981		6,948,509
Cash and Cash Equivalents (Opening balance)		19,475,431		12,526,922
Cash and Cash Equivalents (Closing balance)		27,487,412		19,475,431

Notes :

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

	As at 31st Dec.2011 Rs.	As at 31st Dec.2010 Rs.
Cash on hand	2,421	4,132
<u>Balance with Scheduled banks</u>		
Current account	4,984,991	8,130,353
Fixed Deposit	22,500,000	11,340,946
	27,487,412	19,471,299
	<u>27,487,412</u>	<u>19,475,431</u>

Per our report attached to the Balance Sheet

For Joshi Apte & Company
Chartered Accountants
P J Apte
Partner

Vergheese Oommen Chairman
V Ravi Shanker Director

Pune, 21st February, 2012

Pune, 21st February, 2012

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

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details
 Registration No. State Code
 Balance Sheet Date
Date Month Year

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

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>

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

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="3"/>
SOURCES OF FUNDS	Reserve & Surplus
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="3"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Investments
APPLICATIONS OF FUNDS	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Net Fixed Asset	Deferred Tax Asset
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Net Current Assets	Accumulated Losses
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Miscellaneous Expenditure	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/>
IV. Performance of the Company (Amount Rs. in Thousand)	Profit After Tax
Sale of Service	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="8"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="8"/>	Dividend Rate %
Profit Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>
Earning per Shares (Rs.)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="6"/> <input type="text" value="5"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="6"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>

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

Product Description

Verghese Oommen Chairman

V Ravi Shanker Director

Pune, 21st February, 2012

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

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details
 Registration No.
 State Code
 Balance Sheet Date

II. Capital raised during the year (Amount Rs. In Thousand)
 Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

III. Position of Mobilisation and Development of Funds (Amount Rs. in Thousand)
 Total Liabilities
 SOURCES OF FUNDS
 Paid up Capital
 Secured Loans
 APPLICATIONS OF FUNDS
 Net Fixed Assets
 Net Current Assets
 Misc. Expenditure
 Total Assets
 Reserve & Surplus
 Unsecured Loans
 Investments
 Deferred Tax Balance
 Accumulated Losses

IV. Performance of the company (Amount Rs. In Thousand)
 Turnover (Net) & Other Income
 Profit Before Tax
 Earning Per Shares (Rs.)
 Total expenditure
 Profit After Tax
 Dividend Rate (%)

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

G.Swarup Chairman

A.R. Broacha
 D.N.Damania
 N.N. Kampani
 Dr. A Lee
 P. Shah
 Dr. W. Schmitt } Directors

M.G. Bhave
 Company Secretary

W. Spiegel Managing Director

Mumbai, 22nd February, 2012

Developments at Sinnar Plant



CORA Pump assembly automation line



Induction Brazing Machine



UMAI 100 motor assembly & testing automation line



Developments at Coimbatore Plant



First C12A Gate & Check Valve of size 16", class 1500 manufactured successfully



Size 14", Class 2500 High Pressure Check Valve Valve manufactured by using the existing facilities in Coimbatore Plant

Growth with Sustainability - Quality, Environment & Safety

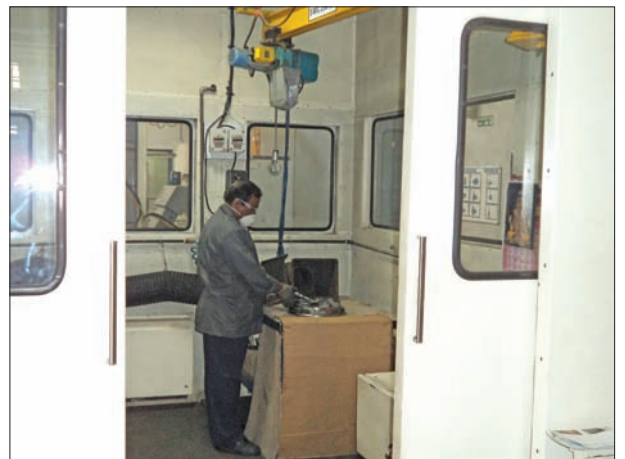


Installation of Bio-Gas Plant at Nashik plant - Generation of Bio-Gas with consumption of bio-waste.

One step towards protection of environment



Fume extractor installed at Foundry division, Vambori



Deburring booth installed at Pimpri Division

