

# Technology that **makes its mark** 54<sup>th</sup> Annual Report - 2013



## Strengthening manufacturing facilities at Vambori and Coimbatore

6th April, 2013 - Cast Iron foundry in a new look



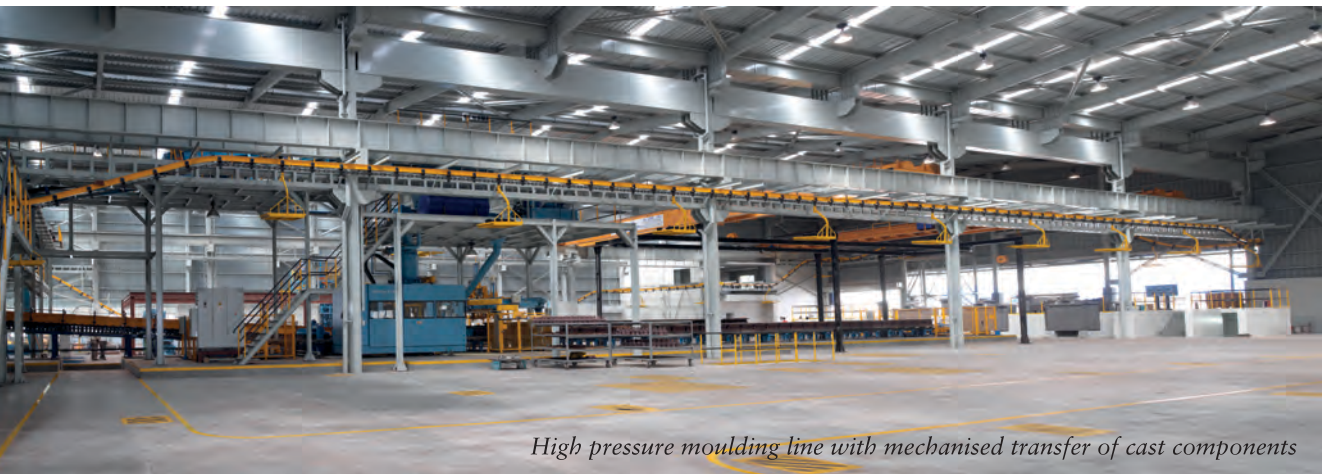
*Birds eye view*



*Mr. Werner Spiegel, Managing Director, KSB India inaugurated the new shed.*

### **Project details :**

Project investment : ₹ 310 Million  
Floor area : 4700 sq. mtrs.  
Capacity : 300 MT/ month



*High pressure moulding line with mechanised transfer of cast components*

18th September, 2013 - Painting & testing facilities for "Aakash" range of valves



*Inside view of shed with testing facilities and paint booth*



*Shed from outside*

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**ANNUAL GENERAL MEETING**

Date : 11th April, 2014  
Day : Friday  
Time : 2.00 p.m.  
Venue : Bajaj Bhavan, Ground Floor,  
(Kamalnayan Bajaj Hall),  
226, Nariman Point,  
Mumbai 400 021.

**COMMUNICATION DETAILS**

Tel No. : 022-66588787  
Fax No. : 022-66588788  
Shareholders' Grievance Cell : [narasimhan.raghu@ksb.com](mailto:narasimhan.raghu@ksb.com)  
Website : [www.ksbindia.co.in](http://www.ksbindia.co.in)

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## GENERAL INFORMATION

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### Board Of Directors

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

### Registered Office

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

### Zonal Offices

North - NOIDA  
Offices - Chandigarh, Jaipur & Lucknow  
East - Kolkata  
Offices - Bhubaneswar, Jamshedpur & Raipur  
West - Mumbai  
Offices - Ahmedabad, Aurangabad, Vadodara, Indore,  
Nagpur & Pune  
South - Chennai  
Offices - Bengaluru & Secunderabad

### Factories

#### **Maharashtra -**

Pimpri, Pune  
Chinchwad, Pune  
Vambori, Dist. Ahmednagar  
Sinnar, Dist. Nashik

#### **Tamil Nadu -**

NSN Palayam, Coimbatore

### Collaborators

KSB Aktiengesellschaft, Germany

### Bankers

Central Bank of India  
Deutsche Bank AG  
Standard Chartered Bank

### Auditors

Deloitte Haskins & Sells LLP

### Cost Auditors

Dhananjay V. Joshi & Associates

### Registrar & Transfer Agent

Link Intime India Pvt. Ltd.  
Tel. No.: 022-25946970  
E-mail: rnt.helpdesk@linkintime.co.in

## BOARD'S REPORT

To  
The Shareholders,

The Board of Directors have pleasure to submit the report and audited Balance Sheet and Statement of Profit and Loss of the Company for the year ended 31st December, 2013.

### FINANCIAL RESULTS AND DIVIDEND

(i) Financial Results:

	₹ in Million	
	Year ended 31.12.2013	Year ended 31.12.2012
Revenue from operations (net) & Other Income	7474.98	7318.82
Profit before taxation	876.05	806.58
Less: Tax expense		
Current	278.00	265.10
Deferred	(3.17)	(22.25)
Adjustment of tax of earlier years	3.63	(16.43)
	278.46	226.42
Profit after tax	597.59	580.16
Balance brought forward	2949.26	2651.61
Profit for appropriation	<u>3546.85</u>	<u>3231.77</u>
Appropriation:		
First Interim Dividend	34.81	34.81
Second Interim Dividend	-	156.64
Final Dividend	156.64	-
Tax on Dividend	32.54	31.06
General Reserve	61.00	60.00
Balance carried to Balance Sheet	<u>3261.86</u>	<u>2949.26</u>
	<u>3546.85</u>	<u>3231.77</u>

**Note:** Previous year figures have been regrouped/ reclassified, wherever necessary to correspond with the current year classification/disclosure.

(ii) Dividend:

An interim dividend of ₹ 1 per share of ₹ 10 each (10%) was paid during the year. The Board of Directors propose a final dividend of ₹ 4.50 per share of ₹ 10 each

(45%) making a total of ₹ 5.50 per share of ₹ 10 each (55%) for the year.

### GENERAL REVIEW

(i) Working:

During the year under review, the Company has earned higher profit before tax compared to the previous year due to various cost reduction and efficiency improvement measures. The overall economic slowdown and delay in project execution continued in 2013. Hence, situation of heavy pressure on margin continued in the year.

Export increased by ₹ 34 Million from ₹ 1034 Million last year to ₹ 1068 Million.

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

(ii) Unclaimed Bonus Shares:

Total 19,918 bonus shares held by 146 shareholders were unclaimed in the year 2013. During the year no shareholder had approached/ claimed for such shares. The total number of shares outstanding at the end of the year 2013 is 19,918 held by 146 shareholders.

(iii) Fixed Deposits:

The Company has no unclaimed deposits.

(iv) Transfer to Investor Education & Protection Fund:

During the year, in accordance with section 205C of the Companies Act, 1956, an amount of ₹ 31,000 being unclaimed fixed deposits and an amount of ₹ 295,595 being unclaimed dividends up to the year 31st December, 2006 were transferred to the Investor Education & Protection Fund established by the Central Government.

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## BOARD'S REPORT (Contd.)

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(v) **Subsidiary & Associate:**

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

The Associate Company, MIL Controls Limited has made a profit before tax of ₹ 317.41 Million for the year ended 31st December, 2013 (previous year ₹ 337.68 Million).

(vi) **Management Discussion and Analysis Report:**

Annexed to this Report

(vii) **Corporate Governance:**

Annexed to this Report

(viii) **Consolidated Accounts:**

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

## DIRECTORS

Mr. A. R. Broacha, Mr. Pradip Shah, and Mr. G. Swarup retire by rotation and are eligible for re-appointment.

Dr. August Lee expressed his inability to continue as director and resigned from the Board on 30th December, 2013. The Board expresses its sincere appreciation for the valuable services provided by him during his tenure as a Director. Dr. Stephan Bross was appointed as a Director on 11th February, 2014 to fill the casual vacancy caused by the resignation of Dr. August Lee. Dr. Stephan Bross holds office as such, upto the ensuing annual general meeting under Article 112 of the Articles of Association of the Company.

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

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and there is no material departures;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for 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;

## BOARD'S REPORT (Contd.)

- iv. the Directors have prepared the annual accounts on a going concern basis.

### PARTICULARS OF EMPLOYEES

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

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

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

### SAFETY AND ENVIRONMENT

The Company has a focus on safety and environment at work place and is committed towards improving environment, organizational health and safety standards on a continuous basis.

During the year under review two plants having ISO 9001 & 14001 certification were audited for OHSAS 18001 standard, for systems and environment respectively. In the second phase, two more plants will be audited for OHSAS certification for organizational health and safety. Extensive training programs are held to train our core team members who would be responsible to implement the requirements of this standard across all plants.

The Company took sustainability measures at different locations to improve environment and save energy. These were in the area of solar street lights, replacing asbestos, rain water harvesting, compressed air management, ladder management and implementation of energy saving devices in plants.

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

### CORPORATE SOCIAL RESPONSIBILITY

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

### AUDITORS

You are requested to appoint auditors for the current year and to fix their remuneration. The retiring auditors M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Pune are eligible and offer themselves for re-appointment. The Company has received a certificate from M/s. Deloitte Haskins & Sells LLP 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.

### COST AUDITORS

The Company has appointed M/s. Dhananjay V. Joshi and Associates, Cost Accountants, Pune as Cost Auditors to carry out the audit of Cost Accounts relating to Engineering machinery (including electrical & electronic product) of the Company for the year 2013. The Cost Audit Report for year 2012 which was due to be filed with the Ministry of Corporate Affairs on 29th June, 2013, was filed on 7th June, 2013.

### 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.

On behalf of the Board of Directors

G. SWARUP  
Chairman

Mumbai, 11th February, 2014

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## MANAGEMENT DISCUSSION & ANALYSIS REPORT

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### 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

In the year 2013, the global growth continued to remain moderate, with an uneven recovery across industrial countries. Activity in major emerging market economies barring China has decelerated on account of weak domestic demand, notwithstanding some improvement in export performance.

In India, the increase in real GDP growth in mid of 2013, though modest, was driven largely by robust growth of agricultural activity, supported by an improvement in net exports. However, the weakness in industrial activity persisting into end of 2013, lackluster lead indicators of services and subdued domestic consumption demand suggest continuing headwinds to growth. The manufacturing sector, where your Company is operating, in fact, contracted during 2013. Tightening government spending in early 2014 to meet budget projections will add to these headwinds. In this context, the revival of investment, especially in the infrastructure projects cleared by the government, will be critical.

Retail inflation has risen unrelentingly during the year, pushed up by the upturn in vegetable prices, housing inflation and increased levels of inflation in the

non-food and non-fuel categories. High inflation at both wholesale and retail levels risks entrenching inflation expectations at unacceptably elevated levels, posing a threat to growth, financial stability and exchange rate stability.

The narrowing of the trade deficit since June through November, due to positive export growth and contraction in both oil and non-oil imports, should bring the current account deficit down to a more sustainable level for the fiscal year as a whole.

##### 2.2 Pumps & Valves Industries

Global revenue growth in the machinery sector declined in 2013. The backdrop to this was underutilization of production capacities in many countries limiting the need for investments in new plants. Due to subdued domestic demand, the project business of pumps and valves therefore remained difficult, while the general business with standard products for building services and industrial segment offered comparatively better prospects.

#### 3.0 OPPORTUNITIES AND THREATS

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

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



## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### 4.0 SEGMENTWISE PERFORMANCE

During the year under review, pumps worth ₹ 5082 Million (previous year ₹ 4797 Million) and valves worth ₹ 1182 Million (previous year ₹ 1415 Million) were sold.

Out of the above, export of pumps and valves in terms of value were ₹ 1068 Million (previous year ₹ 1034 Million).

### 5.0 OUTLOOK

The Company expects the market for pumps and services to grow moderately. The market for valves is expected to be sluggish, primarily due to poor demand from the power sector. Company is taking effective steps to improve earning before income tax in current year.

### 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 government policies, 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 -

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

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

Due to better working capital management, utilization of short-term borrowings has reduced resulting in reduction of finance cost.

The following statements cover financial performance review, which are attached to this report.

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

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

In 2013, even though the business sentiment was low throughout the year, attracting and retaining talent continued to be a challenge for us. We continued our efforts for People Development Initiatives with more focused approach on Leadership Development and Capability Development Programmes. Other

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

HR Initiatives like Succession Planning, Performance Management, Employee Communication Meeting and E-learning were executed as planned. On boarding process for new employees was strengthened by implementing the new initiative on International Qualification Standards.

As a part of implementation of Occupational Health and Safety Standards, Health and Safety programmes are being conducted for all employees in phases. Industrial relation at all the plants were cordial and healthy.

### 10.0 CAUTION

This report is based on the experience and information available to the Company

in the pump and valve business and assumption with 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, 11th February, 2014

### DISTRIBUTION OF INCOME

	Year ended		Year ended	
	31.12.2013		31.12.2012	
	₹	%	₹	%
1. Raw Materials/Bought-out Components Consumed	3443	46.06	3582	48.94
2. Employee benefit expenses	1101	14.72	1036	14.16
3. Administrative, Sales & Other Expenses	1764	23.60	1607	21.96
4. Finance Cost	26	0.35	52	0.71
5. Depreciation	265	3.55	235	3.21
6. Taxation				
Current	282	3.77	249	3.40
Deferred	(3)	(0.04)	(22)	(0.30)
On Dividend	33	0.44	31	0.42
7. Dividend	191	2.56	191	2.61
8. Retained Earnings	373	4.99	358	4.89
<b>TOTAL</b>	<b>7475</b>	<b>100.00</b>	<b>7319</b>	<b>100.00</b>

Note : Previous year figures have been regrouped/ reclassified, wherever necessary to correspond with the current year classification/ disclosure.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### FINANCIAL POSITION AT A GLANCE

₹ in Million

#### CAPITAL

	Year ended 31.12.2013	Year ended 31.12.2012
<b>ASSETS OWNED</b>		
Non-Current Assets -		
1. Fixed Assets (net)	1895	1852
2. Investments	63	64
3. Other Non-Current Assets (net)	272	211
4. Deferred Tax Assets (net)	78	75
Current Assets (Net) - excluding borrowings	2356	2226
<b>TOTAL</b>	<b>4664</b>	<b>4428</b>
<b>FINANCED BY</b>		
1. Borrowings	32	169
2. Net Worth*	4632	4259
<b>TOTAL</b>	<b>4664</b>	<b>4428</b>
*Represented by		
Share Capital	348	348
Reserves (Net)	4284	3911
<b>TOTAL</b>	<b>4632</b>	<b>4259</b>
<b>INCOME EARNED</b>		
1. Revenue from operations (net)	7313	7138
2. Other Income	162	181
<b>TOTAL</b>	<b>7475</b>	<b>7319</b>
<b>INCOME DISTRIBUTED</b>		
1. Materials consumed	3443	3582
2. Employee benefit expense	1101	1036
3. Other expenses	1764	1607
4. Finance cost	26	52
5. Depreciation	265	235
6. Taxation		
Current	282	249
Deferred	(3)	(22)
On Dividend	33	31
7. Dividend	191	191
8. Retained Income	373	358
<b>TOTAL</b>	<b>7475</b>	<b>7319</b>

Note : Previous year figures have been regrouped/ reclassified, wherever necessary to correspond with the current year classification/ disclosure.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

### FINANCIAL SUMMARY

	2013	2012	2011	2010	2009
<b>CAPITAL ACCOUNTS (₹ in Million)</b>					
<b>Liabilities</b>					
Share Capital	348	348	348	174	174
Reserves & Surplus	4284	3911	3553	3459	3146
Non Current Liabilities	293	284	237	177	146
<b>Assets</b>					
<b>Non Current Assets</b>					
Gross Block	3885	3522	3265	3095	2645
Net Block	1895	1852	1597	1574	1542
Investments	63	64	64	64	64
Other Non Current Assets	565	487	470	355	277
Deferred Tax Assets (net)	78	75	52	47	20
Current Assets (Net)	2325	2057	1955	1770	1563
<b>REVENUE ACCOUNTS (₹ in Million)</b>					
Revenue from operations and Other Income	7475	7319	7570	6201	5699
Gross Profit before finance cost and depreciation	1167	1094	869	954	1230
Finance cost	26	52	28	5	18
Depreciation	265	235	218	207	204
Profit before tax	876	807	623	742	1008
Profit after tax	598	580	429	515	665
Tax on Dividend	33	31	22	28	37
Dividend amount	191	191	139	174	218
Retained earnings	373	358	268	313	407
<b>SELECTED INDICATORS</b>					
Return on Capital Employed %	19.34	19.40	14.36	19.81	30.22
Current ratio	1.93	1.92	2.11	1.90	1.89
Earnings per share (₹)	17.17	16.67	12.35	14.82	19.02
Debt equity ratio	0.01	0.04	0.16	0.04	0.02
Book value per share (₹)	133.08	122.36	112.08	104.38	95.39
Dividend %	55	55	40	100	125
Fixed Assets Turnover ratio	3.94	3.95	4.74	3.94	3.70

Note : Previous years figures have been regrouped/ reclassified, wherever necessary to correspond with the current year classification/ disclosure.

## REPORT ON CORPORATE GOVERNANCE

### ANNEXURE TO BOARD'S REPORT

#### A. MANDATORY REQUIREMENTS

##### 1. Company's philosophy of Corporate Governance

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

##### 2. Board of Directors

###### (a) Composition:-

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

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

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM
Mr. G. Swarup	Chairman – NED	6	Yes
Mr. A.R. Broacha	NED – I	6	Yes
Mr. D.N. Damania	NED – I	6	Yes
Mr. N.N. Kampani	NED – I	6	Yes
Dr. A. Lee*	NED	2	No
Dr. W. Schmitt	NED	1	No
Mr. Pradip Shah	NED – I	6	Yes
Mr. W. Spiegel	Managing Director – ED	5	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.

\* Note: Dr. A. Lee has resigned with effect from 30.12.2013.

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

@ Directorships in foreign companies and private limited companies are included in the above table.

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## REPORT ON CORPORATE GOVERNANCE (Contd.)

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

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

Sr. No.	Date
1.	22.02.2013
2.	12.04.2013
3.	26.04.2013
4.	05.08.2013
5.	28.10.2013
6.	20.12.2013

### 3. Audit Committee

i. Terms of Reference:-

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

ii. Composition, Name of the Members and Chairperson:-

Name of the 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

\*Note: Dr. A. Lee has resigned with effect from 30.12.2013.

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

Sr. No.	Date
1.	22.02.2013
2.	26.04.2013
3.	05.08.2013
4.	28.10.2013
5.	20.12.2013

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.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

- (a) Details of remuneration paid to the Executive Director for the year under review: -

₹ '000s

Name of the Director	Salary	Commission	Performance linked bonus	Perquisites and Contribution to Provident Fund	Terms of appointment
Mr. W. Spiegel	3,336	1,668	1,614	1,245	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.
  - The Company does not have a stock option scheme.
  - 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 upto 1% of the net profits of the Company.

Payments made/ payable for the period from 01.01.2013 to 31.12.2013 is as under:-

₹ '000s

Name of the Director	Directors' Fees	Commission
Mr. G. Swarup	115	500
Mr. A.R. Broacha	115	500
Mr. D.N. Damania	110	500
Mr. N.N. Kampani	60	500
Dr. A. Lee	20	500
Mr. Pradip Shah	60	500
Dr. W. Schmitt	10	500

### 5. Shareholders'/ Investors' Grievance Committee

- i. Composition:-

Members of the Committee are: -

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

The meeting of the Committee was held on 28.10.2013 which was attended by the then available members.

- ii. Compliance Officer:-

Mr. R. Narasimhan, Company Secretary

- iii. Complaints:-

46 complaints were received during the year under review. All the complaints have been resolved to the satisfaction of the shareholders. There were no pending transfers as on 31.12.2013.

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## REPORT ON CORPORATE GOVERNANCE (Contd.)

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### 6. General Body Meetings

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

Financial Year	Date	Time	Venue
2010	07.04.2011	2.00 p.m.	Bajaj Bhavan, Mumbai
2011	12.04.2012	2.00 p.m.	Bajaj Bhavan, Mumbai
2012	12.04.2013	2.00 p.m.	Bajaj Bhavan, Mumbai

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

Financial Year	Special Resolution Passed
2010	Yes
2011	Yes
2012	Yes

- (iii) Postal Ballot:-

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

### 7. Disclosures

#### A. Basis of Related Party Transactions

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

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

Name of the Director	No. of shares held	Dividend paid (₹)
Mr. G. Swarup	34,000	187,000.00
Mr. A.R. Broacha	30,000	165,000.00
Mr. D.N. Damania	4,200	23,100.00

- b. Related party transactions

Normal trade transactions, Sole Selling Agency Agreement for exports and License and Technical Collaboration Agreements are being entered into with KSB AG, Germany and other group companies from time to time. Further, remuneration is paid to directors, dividend is paid on shares held by directors, etc. Full disclosures on related party transactions, as per the Accounting Standard-18 issued by the Institute of Chartered Accountants of India, is given under Note 37 of the Annual Accounts.

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

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

#### B. Disclosure of Accounting Treatment

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

#### C. Board Disclosures - Risk Management

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



## REPORT ON CORPORATE GOVERNANCE (Contd.)

### 8. Means of Communication

i. Quarterly results	Published in the newspapers every quarter
ii. Newspapers wherein results normally published	i. The Economic Times ii. Maharashtra Times
iii. Website, where results are displayed	www.ksbindia.co.in
iv. Whether website 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	11th April, 2014 at 2.00 p.m. at Bajaj Bhavan, Ground Floor (Kamalnayan Bajaj Hall), 226, Nariman Point, Mumbai 400 021.
Financial Year	The financial year under review covers the period 1st January, 2013 to 31st December, 2013.
Date of Book Closure	24th March, 2014 to 11th April, 2014 (both days inclusive).
Dividend Payment date	5th May, 2014 onwards.
Listing on Stock Exchanges	1. BSE Limited (BSE) 2. National Stock Exchange of India Limited (NSE) The Company has paid the listing fees for the period 1st April, 2013 to 31st March, 2014.
Stock Code and ISIN	1. BSE : 500249 2. NSE : KSBPUMPS 3. ISIN : INE999A01015
Market Price Data: High, Low during each month in last financial year	Please see Annexure 'A'
Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.	The performance of the Company's share relative to the BSE sensitive index is given in Annexure 'B'.
Registrar and Transfer Agent	Link Intime India Pvt. Ltd.
Share Transfer System	All the transfers received are processed by the Registrar and Transfer Agent. To facilitate prompt services to the shareholders, the Company Secretary is authorised to approve transfers not exceeding 300 shares per folio per occasion. These are processed on a fortnightly basis. Transmission, consolidation, sub-division of shares and issue of duplicate share certificates are approved by the Share Transfer Committee/ Board of Directors.
Distribution of Shareholding and Shareholding pattern as on 31.12.2013	Please see Annexure 'C'.
Dematerialisation of shares and liquidity	98.72% of the Paid-up Capital has been dematerialised as on 31st December, 2013

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## REPORT ON CORPORATE GOVERNANCE (Contd.)

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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, Nashik and Coimbatore.
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 Tel. No. 022-25946970 E-mail: <a href="mailto:rnt.helpdesk@linkintime.co.in">rnt.helpdesk@linkintime.co.in</a>

### B. NON-MANDATORY REQUIREMENTS

#### a. Audit Qualifications

The financial statements of the Company are unqualified.

#### b. Whistle Blower Policy

Our Whistle Blower policy encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.

On behalf of the Board of Directors

G. SWARUP  
Chairman

Mumbai, 11th February, 2014

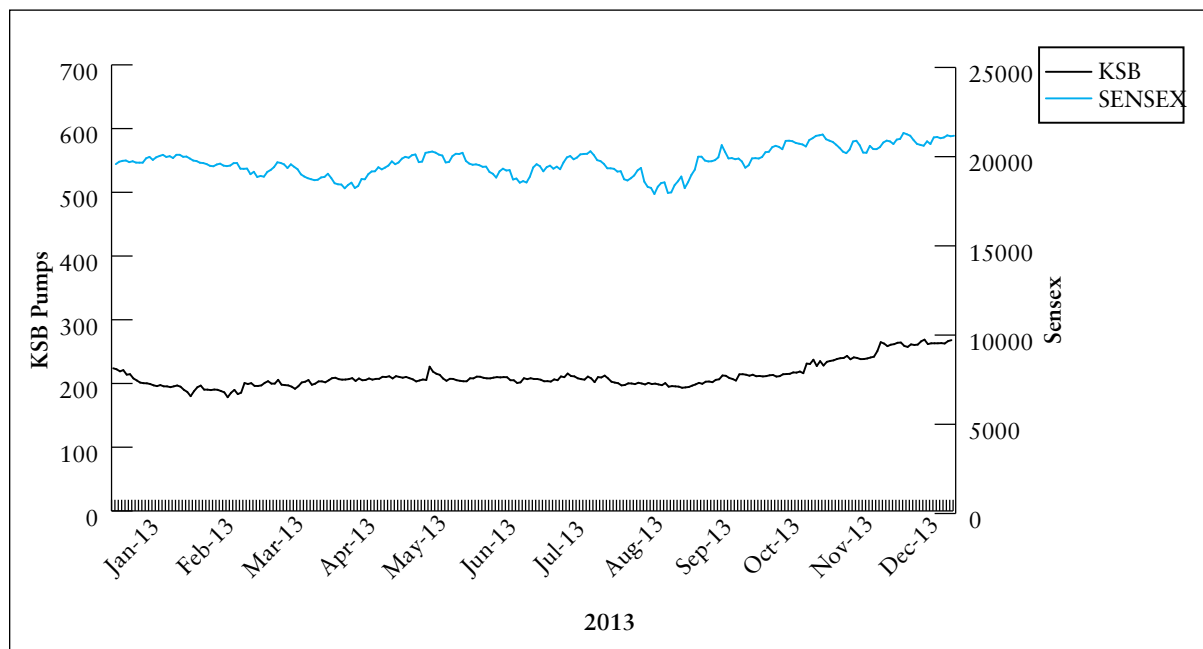
## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ANNEXURE A

#### Price and volume of shares traded

Month/ Year	BSE Ltd.			National Stock Exchange of India Ltd.		
	High (₹)	Low (₹)	Volume traded	High (₹)	Low (₹)	Volume traded
January, 13	233.60	186.05	66965	228.95	185.20	137805
February, 13	207.50	177.35	331310	206.20	177.10	396377
March, 13	207.00	187.50	51294	208.90	185.25	151545
April, 13	214.00	199.25	25759	214.00	200.00	61125
May, 13	232.00	200.50	38897	234.00	201.05	69450
June, 13	215.00	194.90	25023	213.65	193.00	49930
July, 13	217.00	201.00	27570	219.45	200.60	70540
August, 13	216.30	193.10	67336	210.95	192.00	172773
September, 13	221.00	191.55	39811	230.00	190.00	84688
October, 13	240.90	208.00	107001	241.40	206.10	171478
November, 13	272.30	226.00	85553	272.00	224.05	311800
December, 13	274.00	246.00	63169	276.85	253.05	170810

### ANNEXURE B



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## REPORT ON CORPORATE GOVERNANCE (Contd.)

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### ANNEXURE C

#### Distribution of shareholding as on 31st December, 2013

Number of shares held	Members		Shares	
	Number	%	Number	%
1-500	9114	81.02	1106786	3.18
501-1000	992	8.82	760958	2.19
1001-2000	690	6.13	1034944	2.97
2001-3000	199	1.77	474683	1.36
3001-4000	84	0.75	296287	0.85
4001-5000	48	0.43	218400	0.63
5001-10000	60	0.53	433175	1.24
10001 and above	62	0.55	30482611	87.58
TOTAL	11249	100.00	34807844	100.00

#### Shareholding pattern as on 31st December, 2013

Category	No. of Members	No. of Shares held	% to the Capital
Indian Promoters	8	9009210	25.88
Foreign Promoters	1	14110848	40.54
Mutual Funds & UTI	12	3423097	9.83
Banks, Financial Institutions and Insurance Companies	5	864755	2.48
Foreign Institutional Investors	13	411857	1.18
Private Corporate Bodies	269	2007824	5.77
Indian Public/ Trust	10655	4777868	13.93
Foreign Nationals/ NRIs	286	202385	0.58
TOTAL	11249	34807844	100.00

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## REPORT ON CORPORATE GOVERNANCE (Contd.)

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### 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, 2013, 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 Agent, no investor grievance is pending for a period exceeding one month as on 31st December, 2013 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, 11th February, 2014

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## ANNEXURE TO BOARD'S REPORT

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### A. DISCLOSURE UNDER CLAUSE 32

Sr. No.	Disclosure of loans/ advances/ investments/ Outstanding during the year	As at 31 <sup>st</sup> December, 2013 ₹	Maximum amount during the year ₹
1.	Loans and advances in the nature of loans to subsidiary	NIL	NIL
2.	Loans and advances in the nature of loans to associate	NIL	NIL
3.	Loans and advances in the nature of loans where there is	NIL	NIL
a.	No repayment schedule or repayment beyond seven years of the Companies Act, 1956		
b.	No interest or interest below section 372A of the Companies Act, 1956		
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 2013.

Mumbai, 11th February, 2014

W. Spiegel  
Managing Director

## ANNEXURE TO BOARD'S REPORT

### Statement pursuant to section 212 of the Companies Act, 1956 relating to Subsidiary Company

	<b>Pofran Sales &amp; Agency Ltd.</b>
(A) The financial year of the Subsidiary Company	Year ended 31st December, 2013
(B) (a) Number of shares held by KSB Pumps Limited in Subsidiary Company	5,000 Equity shares of ₹ 100 each
(b) Extent of holding	100.00%
(C) The net aggregate of Profits/ (Losses) of the Subsidiary Company so far it concerns the members of KSB Pumps Limited:	
(a) not dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2013 amounted to -	
(i) for the Subsidiary's financial year ended as in (A) above	₹12.60 Million
(ii) for the previous financial years of the Subsidiary since it became Subsidiary	₹50.47 Million
(b) dealt with in the accounts of KSB Pumps Limited for the year ended 31st December, 2013 amounted to -	
(i) for the Subsidiary's financial year ended as in (A) above	NIL
(ii) for the previous financial years of the Subsidiary since it became Subsidiary	₹18.00 Million

	G. Swarup A.R. Broacha N.N. Kampani Dr. Stephan Bross Pradip Shah Dr. W. Schmitt W. Spiegel	Chairman } Directors Managing Director
Mumbai, 11th February, 2014	R. Narasimhan 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 (₹)	Name of Previous Employer, Post held	
<b>(a) Employed throughout the year</b>						
Spiegel W. *	62	Graduate Mechanical Engineer	Managing Director (Board Member)	01.01.2002 48	7,863,000	KSB AG, Germany - Head of Division (Industry, Water & Sewage)
Vergheese Oommen	61	B.Com., A.C.A.	Director - Finance	18.11.1996 39	7,376,749	The Tata Engg. & Locomotive Co. Ltd. Div. Manager (Finance)
<b>(b) Employed for part of the year</b>						
Putarjunan P	64	B.E. (Mech)	General Manager - Operations (Valves)	05.05.1997 40	1,124,437	ITW Signode India Ltd. Dy. General Manager

#### Notes:

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

On behalf of the Board of Directors

Mumbai, 11th February, 2014

G. SWARUP  
Chairman

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## ANNEXURE TO BOARD'S REPORT

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### A. CONSERVATION OF ENERGY

Improvements for conservation of energy are ongoing. Some of the measures recently implemented towards conservation of energy include installation of wind mill and solar panels for street lights, bio gas plant for utilizing waste food from canteen and solar panels for generating hot water in the canteen.

### B. TECHNOLOGY ABSORPTION

#### 1. Performance and Product Improvements

New hydraulics were introduced in 4" Submersible products thereby increasing the available range.

#### 2. Research and Development

Optimization of submersible motors has been completed. Development of submersible pumps with high head per stage has also been completed.

#### 3. Benefits of Research and Development

4" Submersible products now have better performance and are also cost effective.

#### 4. Future Plans

Introduction of additional hydraulics in 6" submersible products is planned.

### 5. Expenditure on Research and Development

(₹ in Million)

	Year ended 31.12.2013	Year ended 31.12.2012
(a) Capital	-	-
(b) Recurring	2.43	2.06
(c) Total	2.43	2.06
(d) Total R&D Expenditure as Percentage of total Turnover	0.03%	0.03%

### 6. Technology Absorption, Adaptation and Innovation

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

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were ₹ 1068 Million. Total foreign exchange earned during the year was ₹ 1137 Million. Export orders outstanding for execution are ₹ 611 Million. Total foreign exchange used during the year was ₹ 574 Million.

On behalf of the Board of Directors

G SWARUP  
Chairman

Mumbai, 11th February, 2014



## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF  
KSB PUMPS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of KSB PUMPS LIMITED ("the Company"), which comprise the Balance Sheet as at 31st December, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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## INDEPENDENT AUDITORS' REPORT (Contd.)

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### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) 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,
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books,
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account,
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31st December, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2013, from being appointed as a director in terms of Section 274(1)(g) of the Act.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
(Registration No. 117366W/ W-100018)

Hemant M. Joshi  
Partner  
Membership No. 038019

Pune, 11th February, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

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

Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and, on the basis of the information received, are of the opinion that prima facie the prescribed accounts and records have been maintained/ are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix) (a) According to the records of the Company, 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, 2013 for a period of more than six months from the date they became payable.

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

Nature of Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	850,000*	1994-1998	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Excise Duty	20,710,000*	2002-2007	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Excise Duty	443,000*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Delhi.
Excise Duty	691,000*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Delhi.
Excise Duty	975,585*	2004	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Chennai.
Service Tax	600,000*	2004-2005	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	7,710,000*	2005-2007	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	10,730,000*	2008-2009	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai.
Service Tax	1,390,000	2008-2011	Commissioner Appeals LTU, Mumbai

\* stay granted for recovery.

x) The Company does not have any accumulated losses as at 31st December, 2013. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

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

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- 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 way of pledge of shares, debentures and other securities.
- 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.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- 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.
- 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.
- 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.
- xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 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.
- 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.
- 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.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
(Registration No. 117366W/ W-100018)

Hemant M. Joshi  
Partner  
Membership No. 038019

Pune, 11th February, 2014

## Balance Sheet as at 31st December, 2013

Particulars	Note No.	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
<b>I EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	3	348.08	348.08
(b) Reserves and surplus	4	4,284.39	3,910.79
		<u>4,632.47</u>	<u>4,258.87</u>
(2) Non-current liabilities			
(a) Other long-term liabilities	5	60.44	56.04
(b) Long-term provisions	6	232.68	227.65
		<u>293.12</u>	<u>283.69</u>
(3) Current liabilities			
(a) Short-term borrowings	7	31.85	168.52
(b) Trade payables	8	1,210.07	1,121.73
(c) Other current liabilities	9	1,045.46	942.93
(d) Short-term provisions	10	291.28	346.47
		<u>2,578.66</u>	<u>2,579.65</u>
		<u>7,504.25</u>	<u>7,122.21</u>
<b>TOTAL</b>			
<b>II ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11.A	1,795.44	1,566.74
(ii) Intangible assets	11.B	17.03	17.90
(iii) Capital work-in-progress		82.42	267.06
		<u>1,894.89</u>	<u>1,851.70</u>
(b) Non-current investments	12	63.15	63.56
(c) Deferred tax assets (net)	13	77.75	74.58
(d) Long-term loans and advances	14	564.75	486.96
(e) Other non-current assets - Long term trade receivables (Unsecured, Considered Good)		-	8.61
		<u>2,600.54</u>	<u>2,485.41</u>
(2) Current assets			
(a) Inventories	15	1,833.02	1,935.35
(b) Trade receivables	16	1,260.16	1,453.08
(c) Cash and cash equivalents	17	1,546.34	1,002.07
(d) Short-term loans and advances	18	230.69	218.68
(e) Other current assets	19	33.50	27.62
		<u>4,903.71</u>	<u>4,636.80</u>
		<u>7,504.25</u>	<u>7,122.21</u>
<b>TOTAL</b>			

See accompanying notes forming part of the financial statements

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

Hemant M. Joshi  
(Partner)

Pune, 11th February, 2014

R. Narasimhan  
Company Secretary

G. Swarup  
A.R. Broacha  
N.N. Kampani  
Dr. Stephan Bross  
Pradip Shah  
Dr. W. Schmitt  
W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 11th February, 2014

## Statement of Profit and Loss for the year ended 31st December, 2013

Particulars	Note No.	For the Year ended 31st December, 2013 ₹ in Million	For the Year ended 31st December, 2012 ₹ in Million
1 Revenue from operations (gross)	20	7,850.46	7,611.98
Less: Excise duty	20	(537.03)	(474.30)
Revenue from operations (net)		7,313.43	7,137.68
2 Other income	21	161.55	181.14
3 Total revenue (1+2)		7,474.98	7,318.82
4 Expenses			
Cost of materials consumed	22.a	3,325.93	3,415.15
Purchases of stock-in-trade		74.82	108.17
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22.b	42.57	58.10
Employee benefit expenses	23	1,100.60	1,036.30
Finance cost	24	25.94	52.40
Depreciation and amortisation expense	11.A & 11.B	265.29	235.39
Other expenses	25	1,774.38	1,615.51
Expenditure transferred to capital account		(10.60)	(8.78)
Total expenses		6,598.93	6,512.24
5 Profit before tax (3 - 4)		876.05	806.58
6 Tax expense:			
(a) Current tax		278.00	265.10
(b) Short/ (excess) provision in respect of earlier years		3.63	(16.43)
(c) Deferred tax		(3.17)	(22.25)
		278.46	226.42
7 Profit for the year (5 - 6)		597.59	580.16
8 Earnings per equity share (Face Value per share ₹ 10/-): (Refer Note 40)			
(1) Basic		17.17	16.67
(2) Diluted		17.17	16.67

See accompanying notes forming part of the financial statements

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

Hemant M. Joshi  
(Partner)

R. Narasimhan  
Company Secretary

Pune, 11th February, 2014

G. Swarup

A.R. Broacha

N.N. Kampani

Dr. Stephan Bross

Pradip Shah

Dr. W. Schmitt

W. Spiegel

Chairman

Directors

Managing Director

Mumbai, 11th February, 2014

## Cash Flow Statement for the year ended 31st December, 2013

Particulars	For the Year ended 31st December, 2013		For the Year ended 31st December, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
<b>A. Cash flow from operating activities</b>				
Net Profit/ (Loss) before tax		876.05		806.58
Adjustments for:				
Depreciation and amortisation expense	265.29		235.39	
(Profit)/ loss on sale/ disposal/ write off of fixed assets	3.57		(1.84)	
Finance cost	25.94		52.40	
Interest income	(104.34)		(103.34)	
Income from non-trade investments (non-current)	(38.96)		(38.96)	
Provision for diminution in value of non-current investments	0.40		-	
Unrealised exchange (gain)/ loss	1.59		(5.17)	
		153.49		138.48
Operating profit/ (loss) before working capital changes		1,029.54		945.06
Adjustment for changes in working capital:				
Inventories	102.33		44.84	
Trade receivables	192.92		369.39	
Short-term loans and advances	(12.01)		54.28	
Long-term loans and advances	(90.04)		(26.32)	
Other non-current assets - Long term trade receivables	8.61		39.42	
Trade payables	88.34		(77.36)	
Other current liabilities	83.05		65.35	
Other long-term liabilities	4.40		3.02	
Short-term provisions	(23.81)		(5.83)	
Long-term provisions	5.03		43.94	
		358.82		510.73
Cash generated from operations		1,388.36		1,455.79
Direct taxes paid		(343.19)		(209.41)
Net cash flow from/ (used in) operating activities (A)		1,045.17		1,246.38
<b>B. Cash flow from investing activities</b>				
Purchase of Fixed Assets	(256.00)		(534.27)	
Proceeds from sale of fixed assets	4.48		3.52	
Interest received	98.46		101.99	
Income from non-trade investments (non-current)	38.96		38.96	



## Cash Flow Statement for the year ended 31st December, 2013

Particulars	For the Year ended 31st December, 2013		For the Year ended 31st December, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Net cash flow from/ (used in) investing activities (B)		(114.10)		(389.80)
C. Cash flow from financing activities				
Working capital borrowings		(136.67)		(463.03)
Finance cost		(25.94)		(52.40)
Dividends paid		(191.27)		(139.05)
Tax on dividend		(31.33)		(22.59)
Net cash flow from/ (used in) financing activities (C)		(385.21)		(677.07)
Unrealized exchange gain/ (loss) in cash and cash equivalents (D)		(1.59)		5.17
Net increase/ (decrease) in Cash and cash equivalents (A+B+C+D)		544.27		184.68
Cash and cash equivalents (Opening Balance)		1,002.07		817.39
Cash and cash equivalents (Closing Balance)		1,546.34		1,002.07

Cash and cash equivalents at the end of the year include:	As at 31st Dec. 2013	As at 31st Dec. 2012	As at 31st Dec. 2011
(a) Cash on hand	0.60	0.41	0.39
(b) Balances with banks			
(i) In current accounts	458.51	205.52	82.62
(ii) In deposit accounts	1,084.81	793.90	732.31
(iii) In unpaid dividend/ deposits account	2.42	2.24	2.07
Cash and Cash equivalents at the end of the year	<u>1,546.34</u>	<u>1,002.07</u>	<u>817.39</u>

Note:

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

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

Hemant M. Joshi  
(Partner)

R. Narasimhan  
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Pune, 11th February, 2014

G. Swarup  
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Directors

W. Spiegel

Managing Director

Mumbai, 11th February, 2014

## Notes forming part of the financial statements

Note	Particulars														
1	<p><b>Company Overview</b></p> <p>Products: The Company is engaged in the business of manufacture of different types of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.</p> <p>Operations: The Company has factories at the following places:-</p> <p>A) Irrigation and Process Pumps Division (I.P.D.) at Pimpri Manufacturing of submersible pumps, vertical and horizontal pumps, series and non-series pumps, Multistage pumps, chemical process pumps, non clog pumps and water pumps.</p> <p>B) Power Projects Division (P.P.D.) at Chinchwad Manufacturing of primary heat transfer pumps, moderator pumps, main boiler feed pumps and multistage condense extraction pumps, re-heater drain pumps and auxiliary boiler feed pumps.</p> <p>C) Foundry Division at Vambhori Manufacturing of steel &amp; iron castings including for captive consumption.</p> <p>D) Coimbatore Unit Manufacturing of valves (Globe, Gate, Check, Butterfly &amp; Ball valves).</p> <p>E) Nashik Unit (Sinnar) Established in 1995, this unit is engaged in the manufacture of high pressure and submersible pumps.</p>														
2	<p><b>Significant accounting policies</b></p>														
2.1	<p>Fixed assets and depreciation/ amortisation:</p> <p>(a) Fixed assets are stated at cost of acquisition or construction less depreciation/ amortisation. Cost comprises the purchase price and other attributable costs.</p> <p>(b) Depreciation/amortization on fixed assets:</p> <p>i) Depreciation on tangible fixed assets is provided at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 on the written down value (WDV) method in respect of buildings, furniture and fixtures and vehicles and on the straight line method (SLM) in respect of other assets. However, the rate of depreciation in respect of the following assets is higher :-</p> <table> <tr> <td>Jigs &amp; fixtures</td> <td>- 33% (SLM)</td> </tr> <tr> <td>Furniture &amp; fixtures</td> <td>- 37% (WDV)</td> </tr> <tr> <td>Office equipments</td> <td>- 10% (SLM)</td> </tr> <tr> <td>Electrical installations</td> <td>- 10% (SLM)</td> </tr> <tr> <td>Vehicles</td> <td>- 60% (WDV)</td> </tr> </table> <p>Leasehold land and assets taken on lease are amortised over the period of the lease.</p> <p>ii) Intangible assets are amortised on the straight line method at the following rates :</p> <table> <tr> <td>Rights, techniques, Process and Knowhow</td> <td>- 14.29%, 20%</td> </tr> <tr> <td>Software</td> <td>- 33%</td> </tr> </table>	Jigs & fixtures	- 33% (SLM)	Furniture & fixtures	- 37% (WDV)	Office equipments	- 10% (SLM)	Electrical installations	- 10% (SLM)	Vehicles	- 60% (WDV)	Rights, techniques, Process and Knowhow	- 14.29%, 20%	Software	- 33%
Jigs & fixtures	- 33% (SLM)														
Furniture & fixtures	- 37% (WDV)														
Office equipments	- 10% (SLM)														
Electrical installations	- 10% (SLM)														
Vehicles	- 60% (WDV)														
Rights, techniques, Process and Knowhow	- 14.29%, 20%														
Software	- 33%														
2.2	<p>Investments</p> <p>Long-term Investments are valued at cost of acquisition and related expenses. Provision is made for other than temporary diminution, if any, in the value of such investments.</p>														
2.3	<p>Inventories</p> <p>Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used. Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.</p>														
2.4	<p>Trade receivables and advances</p> <p>Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.</p>														
2.5	<p>Foreign exchange transactions</p> <p>Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Realised gains and losses as also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Statement of Profit and Loss. Premium/ Discount in respect of Forward Contracts is accounted for over the period of contract.</p>														
2.6	<p>Revenue Recognition</p> <p>(i) Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers.</p> <p>(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.</p> <p>(iii) Income from services rendered is accounted for when the work is performed.</p>														

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

Note	Particulars
2.7	<p><b>Employee Benefits</b> Employee benefits includes gratuity, superannuation and provident fund and leave encashment benefits under the approved schemes of the Company. In respect of defined contribution plans, the contribution payable for the year is charged to the Statement of Profit and Loss. In respect of defined benefit plans and other long term employee benefits, the employee benefit costs is accounted for based on an actuarial valuation as at the balance sheet date.</p>
2.8	<p><b>Product Warranty</b> Cost of product warranties is disclosed under the head (i) 'cost of materials consumed' as consists of free replacement of spares. (ii) 'miscellaneous expenses' which includes provision for warranties.</p>
2.9	<p><b>Taxes on Income</b> Tax expense for the year is included in the determination of the net profit for the year. Deferred tax is recognised on all timing differences, subject to consideration of prudence in respect of deferred tax assets.</p>
2.10	<p><b>Leases</b> Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.</p>
2.11	<p><b>Borrowing Costs</b> Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.</p>
2.12	<p><b>Cash Flow Statement</b> The Cash Flow statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.</p>
2.13	<p><b>Use of Estimates</b> The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognized in the year in which the results are known/materialized.</p>
2.14	<p><b>Provisions, Contingent Liabilities and Contingent Assets</b> As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. No provision is recognised for: (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or (ii) Any present obligation that arises from past events but is not recognized because - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or - A reliable estimate of the amount of obligation cannot be made. Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.</p>
2.15	<p><b>Earnings per share</b> The Company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share. Basic earnings per share is computed by dividing profit for the year after tax by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year after tax by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.</p>

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

### Note 3 - Share capital

Particulars	As at 31st December, 2013		As at 31st December, 2012	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Authorised:				
Equity shares of ₹ 10/- each.	40,000,000	400.00	40,000,000	400.00
Issued, Subscribed and Fully Paid up:				
Equity shares of ₹ 10/- each.	34,807,844	348.08	34,807,844	348.08
Total	34,807,844	348.08	34,807,844	348.08

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

	As at 31st December, 2013		As at 31st December, 2012	
	₹ in Million	Number of shares	₹ in Million	Number of shares
No. of shares outstanding at the beginning				
- Equity shares	348.08	34,807,844	348.08	34,807,844
Add: Additional shares issued				
- Equity shares	-	-	-	-
Less: Shares forfeited/ Bought back				
- Equity shares	-	-	-	-
No. of shares outstanding at the end				
- Equity shares	348.08	34,807,844	348.08	34,807,844

(ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each shareholder of equity shares is entitled to one vote per share.

(iii) Aggregate number of equity shares allotted as fully paid up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 17,403,922 (Previous Year - 17,403,922)

(iv) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

Particulars	As at 31st December, 2013		As at 31st December, 2012	
	Number of shares	% of shares held	Number of shares	% of shares held
Canadian Kay Pump Ltd.	14,110,848	40.54%	14,110,848	40.54%
The Industrial & Prudential Investment Co. Ltd.	7,140,000	20.51%	7,140,000	20.51%
Reliance Capital Trustee Company Ltd. (held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	2,655,080	7.63%	2,740,280	7.87%

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

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

### Note 4 - Reserves and surplus

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Capital reserve		
Opening balance	0.09	0.09
Add: Additions	-	-
Less: Utilised/ transferred	-	-
Closing balance	0.09	0.09
Capital redemption reserve		
Opening balance	0.10	0.10
Add: Additions	-	-
Less: Utilised/ transferred	-	-
Closing balance	0.10	0.10
Securities premium account		
Opening balance	3.20	3.20
Add : Premium on shares issued	-	-
Less : Utilised	-	-
Closing balance	3.20	3.20
General reserve		
Opening balance	958.08	898.08
Add: Transferred from surplus in Statement of Profit and Loss	61.00	60.00
Less: Utilisations/ transfers	-	-
Closing balance	1,019.08	958.08
Amalgamation Reserve		
Opening balance	0.06	0.06
Add: Additions/ transfers	-	-
Less: Utilisations/ transfers	-	-
Closing balance	0.06	0.06
Surplus in Statement of Profit and Loss		
Opening balance	2,949.26	2,651.61
Add: Transferred from Statement of Profit and Loss	597.59	580.16
Less: First interim dividend	34.81	34.81
Second interim dividend	-	156.64
Proposed dividend (₹ 4.50 per share) (previous year ₹ Nil per share)	156.64	-
Tax on first interim dividend	5.92	5.65
Tax on second interim dividend	-	25.41
Tax on proposed dividend	26.62	-
Transferred to General reserve	61.00	60.00
Closing balance	3,261.86	2,949.26
Total	4,284.39	3,910.79

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

### Note 5 - Other long-term liabilities

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Other than trade payables:		
Other Payables (includes Deposits received from dealers, etc.)	60.44	56.04
Total	<u>60.44</u>	<u>56.04</u>

### Note 6 - Long-term provisions

Provision for employee benefits (Refer Note 36)	222.31	218.90
Other Provisions:		
Provision for Warranty (Refer Note 39)	10.37	8.75
Total	<u>232.68</u>	<u>227.65</u>

### Note 7 - Short-term borrowings

Loans Repayable on Demand		
Working Capital Facilities/ Packing credit from banks (Secured)	31.85	151.72
Book overdraft (Unsecured)	-	16.80
Total	<u>31.85</u>	<u>168.52</u>

Note:

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

Particulars	Nature of security	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Working Capital Facility -1	Pledge of Fixed Deposits of ₹ 90 Million (previous year ₹ 220 Million)	0.21	2.04
Working Capital Facility -2	Pledge of Fixed Deposits of ₹ 433.76 Million (previous year ₹ 433.76 Million) and hypothecation of stocks including loose tools, stores and spares, book debts.	31.64	40.21
Working Capital Facility -3	Hypothecation of stocks including loose tools, stores and spares, book debts.	-	109.47
Total		<u>31.85</u>	<u>151.72</u>

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

### Note 8 - Trade payables

Particulars	As at 31st December, 2013	As at 31st December, 2012
	₹ in Million	₹ in Million
Trade payables	1,210.07	1,121.73
<b>Total</b>	<b>1,210.07</b>	<b>1,121.73</b>

### Note 9 - Other current liabilities

Current maturities of finance lease obligations (Refer Note 35)	-	0.02
Unclaimed Dividend	2.42	2.24
Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax etc.)	192.06	148.07
(ii) Payables for purchase of fixed assets	30.07	10.75
(iii) Advances from customers	539.59	512.18
(iv) Others (Liquidated damages, Donation etc.)	281.32	269.67
<b>Total</b>	<b>1,045.46</b>	<b>942.93</b>

### Note 10 - Short-term provisions

Provision for employee benefits (Refer Note 36)	48.83	63.57
Provision - Others:		
(i) Tax provisions less payments (current tax)	3.75	36.34
(ii) Provision for Warranty (Refer Note 39)	20.75	17.49
(iii) Second interim dividend	-	156.64
(iv) Proposed dividend	156.64	-
(v) Tax on second interim dividend	-	25.41
(vi) Tax on proposed dividend	26.62	-
(vii) Provision - others (for statutory levies) (Refer Note 39)	34.69	47.02
	242.45	282.90
<b>Total</b>	<b>291.28</b>	<b>346.47</b>

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

Particulars	Gross block			Depreciation/ Amortisation			Net block		
	As at 31st December, 2012	Additions during the year 2012	Deductions during the year 2013	Upto 31st December, 2012	Provided during the year 2013	Deductions during the year 2013	Upto 31st December, 2013	As at 31st December, 2013	As at 31st December, 2012
<b>A. Tangible Assets</b>									
(a) Land									
- Freehold	3.01	-	3.01	-	-	-	-	3.01	3.01
- Leasehold	15.15	-	15.15	2.86	0.18	3.04	3.04	12.11	12.29
(b) Buildings (See Note)	535.86	109.34	627.48	257.35	34.35	14.34	277.36	350.12	278.51
(c) Plant and Equipment	2,665.84	351.79	2,914.65	1,448.53	202.05	98.81	1,551.77	1,362.88	1,217.31
(d) Furniture and Fixtures	78.68	15.16	91.22	68.64	7.48	2.62	73.50	17.72	10.04
(e) Vehicles									
- Owned	47.09	6.17	44.76	38.73	5.92	8.33	36.32	8.44	8.36
- Taken under finance lease (Refer Note 35)	0.21	-	-	0.20	-	0.20	-	-	0.01
(f) Office equipment	83.23	12.09	89.62	46.02	7.82	5.38	48.46	41.16	37.21
(g) Development of Property	0.04	-	0.04	0.04	-	-	0.04	-	-
<b>Total Tangible Assets</b>	<b>3,429.11</b>	<b>494.55</b>	<b>3,785.93</b>	<b>1,862.37</b>	<b>257.80</b>	<b>129.68</b>	<b>1,990.49</b>	<b>1,795.44</b>	<b>1,566.74</b>
Previous year	3,183.00	283.34	3,429.11	1,669.85	228.07	35.55	1,862.37	1,566.74	1,513.15
<b>B. Intangible Assets</b>									
(other than internally generated)									
(a) Computer software	36.28	5.87	42.15	27.33	6.05	-	33.38	8.77	8.95
(b) Copyrights, patents and other intellectual property rights, services and operating rights	56.45	0.75	57.20	47.50	1.44	-	48.94	8.26	8.95
<b>Total Intangible Assets</b>	<b>92.73</b>	<b>6.62</b>	<b>99.35</b>	<b>74.83</b>	<b>7.49</b>	<b>-</b>	<b>82.32</b>	<b>17.03</b>	<b>17.90</b>
Previous year	81.89	10.84	92.73	67.51	7.32	-	74.83	17.90	14.38

Note:

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



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

### Note 12 - Non-current investments

Particulars	As at 31st December, 2013		As at 31st December, 2012
	₹ in Million	₹ in Million	₹ in Million
Unquoted, Non-trade			
Investment in equity instruments of subsidiary (at cost)			
Pofran Sales & Agency Ltd. - 5,000 (previous year - 5,000) equity shares of ₹ 100 each fully paid		0.50	0.50
Investment in equity instruments of associate (at cost)			
MIL Controls Limited - 735,000 (previous year -735,000) equity shares of ₹ 10 each fully paid.		62.65	62.65
Investment in equity instruments of Other Entities (at cost)			
Pravara Electric Co-operative Society Limited - 15,995 (previous year - 15,995) shares of ₹ 25 each fully paid.	0.40		0.40
Less : Provision for diminution in value of investments	(0.40)		-
		-	0.40
Investment in government securities - Indira Vikas Patra		-	0.01
Total		<u>63.15</u>	<u>63.56</u>

### Note 13 - Deferred Tax Assets (Net)

(i) Break up of deferred tax liability as at year end:			
Nature of timing difference			
Provision for Depreciation		102.85	90.18
Total		<u>102.85</u>	<u>90.18</u>
(ii) Break up of deferred tax asset as at year end:			
Nature of timing difference			
Provision for compensated absences and gratuity		92.16	91.66
Provision for doubtful debts and advances		49.90	34.68
Others		38.54	38.42
Total		<u>180.60</u>	<u>164.76</u>
(iii) Deferred tax Asset/ (Liability) Net		77.75	74.58

### Note 14 - Long-term loans and advances

(Unsecured - considered good unless otherwise stated)

Capital advances		33.96	75.18
Security Deposits			
Considered Good		30.16	25.54
Considered Doubtful		4.84	8.37
		35.00	33.91
Less: Provision for doubtful security deposits		4.84	8.37
		30.16	25.54
Other loans and advances			
- Loans and advances to employees		17.69	20.38
- Taxes paid in advance less provisions (current tax)		132.32	103.35
- Balances with government authorities - VAT credit receivable etc.			
Considered Good		349.24	262.14
Considered Doubtful		20.90	20.90
		370.14	283.04
Less: Provision for other doubtful loans and advances		20.90	20.90
		349.24	262.14
- Prepaid Expenses		1.38	0.37
Total		<u>564.75</u>	<u>486.96</u>

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

### Note 15 - Inventories

(at cost or net realisable value whichever is lower)

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Raw materials (including Goods-in-transit ₹ 2.13 Million (previous year ₹ 1.50 Million))	489.11	546.73
Work-in-progress	911.11	906.54
Finished goods	314.62	338.71
Stock-in-trade (in respect of goods acquired for trading)	62.55	85.60
Stores and spares	43.57	42.10
Loose tools	12.06	15.67
Total	<u>1,833.02</u>	<u>1,935.35</u>

### Note 16 - Trade receivables

(Unsecured - considered good unless otherwise stated)

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

Considered good	126.58	134.48
Doubtful	114.67	72.19
	<u>241.25</u>	<u>206.67</u>
Other Trade receivables		
Considered good	1,133.58	1,318.60
Doubtful	-	-
	<u>1,133.58</u>	<u>1,318.60</u>
Total	<u>1,374.83</u>	<u>1,525.27</u>
Less: Provision for doubtful trade receivables	114.67	72.19
Total	<u>1,260.16</u>	<u>1,453.08</u>

### Note 17 - Cash and cash equivalents

Cash on hand	0.60	0.41
Balances with banks		
- In current accounts	458.51	205.52
- In deposit accounts	561.05	140.14
- In earmarked accounts		
- Unpaid dividend accounts	2.42	2.24
- Balances held as security against borrowings	523.76	653.76
Total	<u>1,546.34</u>	<u>1,002.07</u>

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

### Note 18 - Short-term loans and advances

(Unsecured - considered good unless otherwise stated)

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Loans and advances to related parties (Refer Note 37)	6.61	13.08
Other Loans and Advances		
- Employee advances	15.78	12.87
- Prepaid expenses	6.30	9.92
- Balances with government authorities (CENVAT and Service Tax receivable)	43.44	83.22
- Others (includes Advances to Suppliers, DEPB Receivable, Insurance Claim Receivable, etc.)		
Considered good	158.56	99.59
Doubtful	6.00	5.40
	164.56	104.99
Less: Provision for other doubtful loans and advances	6.00	5.40
	158.56	99.59
Total	230.69	218.68
Note 19 - Other current assets		
Interest accrued on fixed deposits	33.50	27.62
Total	33.50	27.62

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

### Note 20 - Revenue from operations

Particulars	For the Year ended 31st December, 2013 ₹ in Million	For the Year ended 31st December, 2012 ₹ in Million
Sale of products	7,638.35	7,416.63
Sale of services	144.94	155.73
Other operating revenues		
- Scrap Sale	25.07	23.78
- Export Incentive	42.10	15.84
	7,850.46	7,611.98
Less:		
Excise duty	(537.03)	(474.30)
Total	7,313.43	7,137.68

### Note 21 - Other income

Interest on Bank deposits, Income tax refunds, delayed payments from dealers/ customers, etc.	104.34	103.34
Dividend income from Non-trade investments (non-current)	38.96	38.96
Sundry credit balances & Provisions no longer required, written back	-	10.90
Profit on sale/ disposal/ write off of fixed assets	-	1.84
Other non-operating income (net of expenses directly attributable to such income)	18.25	26.10
Total	161.55	181.14

### Note 22a - Cost of materials consumed

Raw Materials and Components Consumed (Refer Note 29d)	3,325.93	3,415.15
Cost of materials consumed	3,325.93	3,415.15

### Note 22b - Changes in inventories of finished goods, work-in-progress and stock-in-trade

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

Finished goods	314.62	338.71
Work-in-progress	911.11	906.54
Stock-in-trade	62.55	85.60
	1,288.28	1,330.85

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

Finished goods	338.71	429.42
Work-in-progress	906.54	873.33
Stock-in-trade	85.60	86.20
	1,330.85	1,388.95
Net (increase)/ decrease	42.57	58.10

### Note 23 - Employee benefit expenses

Salaries and wages	935.08	865.90
Contributions to provident and other funds (Refer Note 36)	89.37	94.68
Staff welfare expenses	76.15	75.72
Total	1,100.60	1,036.30

### Note 24 - Finance costs

Interest expense	25.94	52.40
Total	25.94	52.40

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

### Note 25 Other expenses

Particulars	For the Year ended 31st December, 2013 ₹ in Million	For the Year ended 31st December, 2012 ₹ in Million
Processing & Machining Charges	325.43	295.09
Stores Consumed	126.22	112.40
Tools Consumed	47.55	55.21
Water, Power and fuel	156.66	143.56
Rent	9.32	9.85
Excise duty relating to increase/ (decrease) in finished goods stock	(5.19)	0.10
Rates and taxes (Refer Note 39)	15.26	(2.64)
Insurance (Net)	5.42	3.31
Repairs and maintenance		
- Buildings	17.42	13.61
- Machinery	60.53	60.05
- Others	73.07	85.65
	151.02	159.31
Travelling and conveyance	58.94	58.64
Packing & Forwarding Charges (net of recoveries - ₹ 33.52 Million; previous year ₹ 37.02 Million)	197.12	205.36
Directors' fees	0.49	0.41
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1.30	1.30
Tax audit fees	0.30	0.30
Accounts for tax purposes	0.45	0.45
Company law matters	-	0.01
Fees for other services	1.40	1.40
Reimbursement of out of pocket expenses	0.20	0.13
	3.65	3.59
Cost Audit Fees	0.40	0.38
Sales commission		
Sole Selling agents	100.84	103.36
Other Selling agents	35.56	17.49
	136.40	120.85
Discount Expenses	16.32	16.66
Royalty Charges	52.49	29.87
In respect of late delivery under contracts	17.63	1.96
Provision for doubtful receivables and advances (net)	39.55	43.35
Provision for diminution in the value of non-current investments	0.40	-
Legal and professional (including SAP implementation/ upgradation expenses ₹ 8.58 Million; previous year - ₹ Nil)	33.77	27.98
Net loss on foreign currency transactions and translation	0.43	17.61
Loss on sale/ disposal/ write off of fixed assets	3.57	-
Miscellaneous expenses	381.53	312.66
Total	1,774.38	1,615.51

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

### Note 26 - Contingent Liabilities and Commitments

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debts	10.99	7.44
(b) Taxation matters in dispute pending at various stages of appeal	63.20	50.61
(c) Bills Discounted/ Cheques purchased with banks	35.25	26.79
(d) Excise matters	75.46	70.83
(e) Guarantees given by the bankers on behalf of the Company	1,186.38	970.70
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for -		
- Tangible Assets	21.37	83.85

### Note 27

- a) Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31/12/2013 is ₹ 0.22 Million (previous year – ₹ Nil) including unpaid amounts of ₹ 0.01 Million (previous year – ₹ Nil) outstanding for more than 45 days. Estimated interest due thereon is ₹ Nil (previous year – ₹ Nil).
- b) Amount of payments made to suppliers beyond 45 days during the year is ₹ 1.19 Million (previous year – ₹ 0.45 Million). Interest paid thereon is ₹ Nil (previous year – Nil) and the estimated interest due and payable thereon is ₹ 0.02 million (previous year - ₹ Nil).
- c) The amount of estimated interest accrued and remaining unpaid as at 31/12/2013 is ₹ 1.73 Million (previous year – ₹ 1.71 Million).
- d) The amount of estimated interest due and payable for the period from 01/01/2014 to actual date of payment or 30/01/2014 (whichever is earlier) is ₹ Nil.

### Note 28a - Details on derivatives instruments (for hedging)

Outstanding forward exchange contracts entered into by the Company as on 31st December, 2013

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million		Purpose
	Current Year	Previous year	Current Year	Previous year	
Forward Cover	USD 8,684,274	USD 8,573,870	556.75	462.81	Covering Trade Receivables and future sales
	Euro 554,797	Euro 696,876	48.84	49.58	
Forward Cover	USD 673,701	USD 180,000	41.08	10.03	Covering Trade Payables and future purchases
	Euro 5,555,282	Euro 823,155	468.74	60.70	

### Note 28b - Details of year-end foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million	
	Current year	Previous year	Current year	Previous year
Trade Payables	USD 3,887,229	USD 4,107,814	244.47	228.80
	Euro 892,677	Euro 751,462	77.59	55.41
Trade Receivables	USD 1,061,041	USD 772,078	64.59	41.68
	Euro 7,415	Euro 321,358	0.62	22.86
Bank balances	USD 3,333,147	USD 2,268,059	202.92	122.43
	Euro NIL	Euro 97,170	-	6.91

### Note 29a - CIF Value of Imports

Particulars	For the year ended 31st December, 2013 ₹ in Million	For the year ended 31st December, 2012 ₹ in Million
Raw materials and components	130.37	152.54
Stores, spares and tools	4.97	6.91
Capital goods	39.58	92.15
Items imported for resale	73.10	93.75
Total	248.02	345.35

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

### Note 29b - Value of imported and indigenous raw materials, spare parts and components consumed

Particulars	For the year ended 31st December, 2013		For the year ended 31st December, 2012	
	₹ in Million	%	₹ in Million	%
Raw materials and Bought-out components:				
Imported at landed cost	95.45	2.87%	126.03	3.69%
Indigenously obtained	3,230.48	97.13%	3,289.12	96.31%
<b>Total</b>	<b>3,325.93</b>	<b>100.00%</b>	<b>3,415.15</b>	<b>100.00%</b>

Note:

Components and spare parts referred to in paragraph 5(viii)(c) of Part II of Revised Schedule VI of the Companies Act, 1956, are interpreted to mean the components and spare parts which are incorporated in the products sold and not those used for the maintenance of plant and machinery.

### Note 29c - Details of Goods purchased for Trading under broad heads

₹ in Million

Particulars	Goods Purchased for trading	
	For the year ended 31st December, 2013	For the year ended 31st December, 2012
Pumps	63.91	94.05
Valves	5.65	6.72
Spares	5.26	7.40
<b>Total</b>	<b>74.82</b>	<b>108.17</b>

### Note 29d - Details of Raw Material Consumption and Raw Material Stock under broad heads

₹ in Million

Particulars	Raw Material Consumed		Raw Material Stock	
	For the year ended 31st December, 2013	For the year ended 31st December, 2012	As at 31st December, 2013	As at 31st December, 2012
Castings	516.75	650.31	148.21	148.02
Electric motors	117.11	127.16	0.67	12.48
Winding wire & cables	199.50	166.31	28.66	19.69
Forgings	165.30	131.54	32.13	42.25
Stampings	136.05	118.48	21.42	25.15
Steels	108.70	98.48	32.21	31.52
Metal Scrap	123.10	101.17	13.70	28.65
Pig Iron	54.51	44.49	2.11	1.63
Melting additions	42.70	54.58	3.90	10.43
Other metals & bought-out components	1,862.21	1,922.63	206.10	226.91
<b>Total</b>	<b>3,325.93</b>	<b>3,415.15</b>	<b>489.11</b>	<b>546.73</b>

Notes:

- As the Company also sells as spare parts (for goods manufactured and sold by it), some of its bought-out components, the items shown above as consumption include cost of such items sold, this being an activity ancillary to its manufacturing activity.
- The Company is of the opinion that the purchase & sale of such bought-out components is a part of its activity to manufacture and deliver a complete pump unit and, therefore, is not a trading activity as referred to in paragraph 5(ii)(b) of Revised Schedule VI to the Companies Act, 1956.
- The consumption figures in value are balancing figures ascertained on the basis of opening stocks plus purchases less closing stocks and therefore, include adjustments for excesses and shortages ascertained on physical count, etc.

### Note 29e - Details of Work-in-Progress Stock under broad heads

₹ in Million

Particulars	WIP Opening Stock		WIP Closing Stock	
	As at 1st January, 2013	As at 1st January, 2012	As at 31st December, 2013	As at 31st December, 2012
Pumps	675.19	663.37	713.67	675.19
Valves	98.88	140.39	96.44	98.88
Others	132.47	69.57	101.00	132.47
<b>Total</b>	<b>906.54</b>	<b>873.33</b>	<b>911.11</b>	<b>906.54</b>

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

Note 29f - Details of Sales of Products and Finished Goods (FG) Stock under broad heads ₹ in Million

Particulars	FG Opening Stock		FG Closing Stock		Sales (Net)	
	As at 1st January, 2013	As at 1st January, 2012	As at 31st December, 2013	As at 31st December, 2012	For the year ended on 31st December, 2013	For the year ended on 31st December, 2012
I. a) Power Driven Pumps	198.14	270.42	229.61	198.14	5,081.70	4,797.35
b) Spares for above	-	-	-	-	673.36	557.26
II. a) Industrial Valves	140.57	159.00	76.97	140.57	1,181.49	1,415.18
b) Spares for above	-	-	-	-	25.25	34.91
III. Castings - Carbon Steel, Alloy Steel & Alloy Iron Castings	-	-	-	-	4.97	2.80
IV. Export Incentives	-	-	-	-	42.10	15.84
V. Income from Services	-	-	-	-	144.94	155.73
VI. Pumps for resale	82.14	81.17	69.16	82.14	111.62	117.61
VII. Valves for resale	-	2.36	-	-	13.14	9.35
VIII. Spares for resale	3.46	2.67	1.43	3.46	9.79	7.87
IX. Scrap Sales	-	-	-	-	25.07	23.78
<b>Total</b>	<b>424.31</b>	<b>515.62</b>	<b>377.17</b>	<b>424.31</b>	<b>7,313.43</b>	<b>7,137.68</b>

Note:

- In addition to spares purchased for re-sale, the company also sells as spares some of its bought-out components. The Company is of the opinion that the purchase and sale of such bought-out components is a part of its activity to manufacture and deliver a complete pump unit and therefore, is not a trading activity as referred to in paragraph 5(ii)(b) of revised Schedule VI of the Companies Act, 1956.

Note 30 - Expenditure in foreign currency (disclosed on accrual basis)

Particulars	For the year ended 31st December, 2013 ₹ in Million	For the year ended 31st December, 2012 ₹ in Million
(i) Royalty (net of tax)	47.24	26.88
(ii) Professional fees (net of tax)	68.93	47.59
(iii) Technical services (net of tax)	11.29	2.55
(iv) Other matters	119.03	128.59

Note 31 - Earnings in foreign currency

(i) Exports at FOB value *	1,067.49	1,033.56
(ii) Recovery of packing and forwarding charges	5.44	5.58
(iii) Service charges	18.33	18.40
(iv) Technical services	13.47	13.31
(v) Commission	30.16	35.10
(vi) Others	1.81	-

\* Excludes ₹ 21.08 Million (previous year - ₹ 17.72 Million) on account of exports to Nepal, consideration for which is receivable in Indian Rupees.

Note 32 - Amounts remitted in foreign currency during the year on account of dividend

Particulars	Paid in Year 2013		Paid in Year 2012	
	2nd Interim	1st Interim	Final	1st Interim
(i) Year to which the dividend relates	2012	2013	2011	2012
(ii) Number of non-resident shareholders to whom remittance was made	203	217	216	215
(iii) Number of shares on which remittance was made	14,449,025	14,595,408	14,385,562	14,418,593
(iv) Amount remitted (₹ in Million)	65.02	14.60	43.16	14.42

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



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

**Note 33** – Research and Development expenditure debited to the Statement of Profit and Loss aggregating ₹ 2.43 Million (previous year - ₹ 2.06 Million) has been incurred by the Company and disclosed under appropriate account heads.

**Note 34** – The net exchange differences arising during the year recognised appropriately in the Statement of Profit and Loss - net loss- ₹ 0.43 Million (previous year - net loss - ₹ 17.61 Million)

**Note 35** – 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 ₹ Nil (previous year – ₹ 0.04 Million) and the present value of total minimum lease payments as at the balance sheet date is ₹ Nil (previous year – ₹ 0.02 Million).

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

Particulars	Total minimum lease payments at the balance sheet date		Present Value of minimum lease payments	
	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	-	0.04	-	0.02
Later than one year and not later than five years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>0.04</b>	<b>-</b>	<b>0.02</b>

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

### Note 36 Disclosures under Accounting Standards

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

36.1.a Defined contribution Plan

Amount recognised as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plan is ₹ 48.63 Million (previous year ₹ 43.72 Million).

36.1.b Defined benefit plans

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

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

Gratuity is a benefit to an employee based on 15/ 20/ 25/ 30 days (depending on the grade/ category of the employee and the completed years of service) last drawn salary for each completed year of service. Superannuation is a benefit to certain employees at ₹ 1000/ 500/ 250 (depending on the grade/ category of the employee and the completed years of service) per month for each completed year of service.

Both the plans are funded.

₹ in Million

Particulars	Gratuity		Superannuation	
	Year 2013	Year 2012	Year 2013	Year 2012
(A) Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :				
1 Present Value of Defined Benefit Obligation as at 1st January	356.80	315.40	20.63	23.17
2 Current Service cost	27.37	24.84	1.25	1.41
3 Interest cost	28.66	26.10	1.68	1.73
4 Losses (gains) on Curtailment	-	-	-	-
5 Liabilities extinguished on settlements	-	-	-	-
6 Plan amendments	-	-	-	-
7 Actuarial (gains)/ losses	2.16	14.30	1.14	0.46
8 Benefits paid	(22.79)	(23.84)	(0.80)	(6.14)
9 Present Value of Defined Benefit Obligation as at 31st December	392.20	356.80	23.90	20.63

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

₹ in Million

	Particulars	Gratuity		Superannuation	
		Year 2013	Year 2012	Year 2013	Year 2012
(B)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1	Fair value of Plan assets as at 1st January	215.93	222.94	19.46	22.80
2	Expected return on plan assets	17.64	16.88	1.54	1.62
3	Actuarial gains and (losses)	5.00	(0.05)	0.23	0.02
4	Actual contributions by employers	31.94	-	0.44	1.16
5	Benefits paid	(22.79)	(23.84)	(0.80)	(6.14)
6	Plan assets as at 31st December	247.72	215.93	20.87	19.46
(C)	Analysis of Defined Benefit Obligation :				
1	Defined Benefit Obligation as at 31st December	392.20	356.80	23.90	20.63
2	Fair Value of Plan Assets at the end of year	(247.72)	(215.93)	(20.87)	(19.46)
3	Net (Asset)/ Liability recognised in the Balance Sheet as at 31st December	144.48	140.87	3.03	1.17
(D)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	392.20	356.80	23.90	20.63
2	Fair value of plan assets	247.72	215.93	20.87	19.46
3	Funded status [Surplus/ (Deficit)]	(144.48)	(140.87)	(3.03)	(1.17)
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/ (Liability) recognised in Balance Sheet	(144.48)	(140.87)	(3.03)	(1.17)
(E)	Components of employer expenses recognised in the statement of profit and loss for the year ended 31st December				
1	Current Service cost	27.37	24.84	1.25	1.41
2	Interest cost	28.66	26.10	1.68	1.73
3	Expected return on plan assets	(17.64)	(16.88)	(1.54)	(1.62)
4	Curtailment cost/ (credit)	-	-	-	-
5	Settlement cost/ (credit)	-	-	-	-
6	Past Service cost	-	-	-	-
7	Actuarial Losses/ (Gains)	(2.84)	14.35	0.91	0.44
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	35.55	48.41	2.30	1.96
(F)	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"				
(G)	Actuarial Assumptions :				
1	Discount Rate (%)	9.40	8.30	9.40	8.30
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	7.00	7.00	7.00	7.00

The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.

Expected Rate of Return of Plan Assets : This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations.

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

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

₹ in Million

(H)	Experience History	Gratuity					Superannuation				
		Year 2013	Year 2012	Year 2011	Year 2010	Year 2009	Year 2013	Year 2012	Year 2011	Year 2010	Year 2009
1	Defined Benefit Obligation at end of the period	392.20	356.80	315.40	260.21	198.52	23.90	20.63	23.17	21.74	18.63
2	Plan Assets at end of the period	247.72	215.93	222.94	192.09	173.47	20.87	19.46	22.80	23.29	19.60
3	Funded Status	(144.48)	(140.87)	(92.46)	(68.12)	(25.05)	(3.03)	(1.17)	(0.37)	1.55	0.97
4	Experience Gain/ (Loss) adjustments on plan liabilities	(27.96)	(7.96)	(42.57)	(7.56)	(14.09)	(2.14)	(0.22)	(1.88)	0.33	(2.06)
5	Experience Gain/ (Loss) adjustments on plan assets	5.00	(0.05)	2.18	0.17	2.15	0.23	0.02	(0.60)	0.97	0.24

(I)	Actual Return on plan assets	Gratuity		Superannuation	
		Year 2013	Year 2012	Year 2013	Year 2012
1	Expected return on plan assets	17.64	16.88	1.54	1.62
2	Actuarial gains and (losses) on plan assets	5.00	(0.05)	0.23	0.02
3	Actual Return on plan assets	22.64	16.83	1.77	1.64

(I) Contributions expected to be paid to the plan during the next financial year ₹ 36.14 Million (previous year - ₹ 35.42 Million).

### Note 37 - Related Party disclosures

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

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

## (B) Related Party Transactions

Nature of transactions	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the reporting enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Purchase of goods	64.41	-	1.25	39.65	-	-	-	-	-	103.31
	(53.37)	(-)	(0.59)	(53.04)	(-)	(-)	(-)	(-)	(-)	(107.00)
Purchase of Fixed Assets	0.51	-	-	0.02	-	-	-	-	-	0.53
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Sale of goods	296.92	-	-	644.28	-	-	-	-	11.20	952.40
	(445.02)	(-)	(-)	(456.87)	(-)	(-)	(-)	(-)	(6.17)	(908.06)
Income from services	18.83	-	-	17.79	-	-	-	-	-	36.62
	(23.84)	(0.03)	(-)	(12.15)	(-)	(-)	(-)	(-)	(0.02)	(36.04)
Order Cancellation Charges received	1.16	-	-	0.65	-	-	-	-	-	1.81
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Site expenses paid	2.54	-	-	4.51	-	-	-	-	-	7.05
	(0.10)	(-)	(-)	(0.82)	(-)	(-)	(-)	(-)	(-)	(0.92)
Commission income	25.60	-	-	4.56	-	-	-	-	-	30.16
	(29.99)	(-)	(-)	(5.11)	(-)	(-)	(-)	(-)	(-)	(35.10)
Commission paid	-	-	-	100.84	-	-	-	-	-	100.84
	(-)	(-)	(-)	(103.36)	(-)	(-)	(-)	(-)	(-)	(103.36)
Dividend received	-	-	38.96	-	-	-	-	-	-	38.96
	(-)	(-)	(38.96)	(-)	(-)	(-)	(-)	(-)	(-)	(38.96)
Liquidated Damages Paid	-	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(1.27)	(-)	(-)	(-)	(-)	(-)	(1.27)
Charges paid for technical/ Professional services	88.38	-	-	7.59	-	-	-	-	-	95.97
	(52.88)	(-)	(-)	(5.64)	(-)	(-)	(-)	(-)	(-)	(58.52)
Royalty paid	52.11	-	-	0.37	-	-	-	-	-	52.48
	(29.41)	(-)	(-)	(0.46)	(-)	(-)	(-)	(-)	(-)	(29.87)
Warranty charges paid	-	-	-	5.00	-	-	-	-	-	5.00
	(13.33)	(-)	(-)	(0.81)	(-)	(-)	(-)	(-)	(-)	(14.14)
Rent received	-	0.06	1.61	-	-	-	-	-	-	1.67
	(-)	(0.06)	(1.61)	(-)	(-)	(-)	(-)	(-)	(-)	(1.67)
Recovery of expenses	3.33	0.33	10.30	5.30	-	-	-	-	-	19.26
	(0.32)	(0.33)	(10.89)	(4.17)	(-)	(-)	(-)	(-)	(0.03)	(15.74)
Reimbursement of expenses	0.27	-	-	0.08	-	-	-	-	-	0.35
	(4.49)	(-)	(-)	(0.16)	(-)	(-)	(-)	(-)	(-)	(4.65)
Technical knowhow	0.76	-	-	-	-	-	-	-	-	0.76
	(2.83)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.83)
Remuneration	-	-	-	-	7.86	-	-	-	-	7.86
	(-)	(-)	(-)	(-)	(6.22)	(-)	(-)	(-)	(-)	(6.22)
Sitting fees paid	-	-	-	-	-	-	0.12	-	-	0.12
	(-)	(-)	(-)	(-)	(-)	(-)	(0.09)	(-)	(-)	(0.09)

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

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

Nature of transactions	Controlling Companies	Subsidiary Company	Associate Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Individuals having significant influence over the reporting enterprise	Relatives of individuals having significant influence over the reporting enterprise	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence	Total
	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Dividend paid	77.61 (56.44)	- (-)	- (-)	- (-)	- (-)	- (-)	0.19 (0.14)	0.66 (0.48)	48.71 (35.42)	127.17 (92.48)
Commission to Directors	-	-	-	-	-	-	0.50 (0.40)	-	-	0.50 (0.40)
Amounts outstanding at year end										
- Receivable	65.94 (50.71)	0.11 (0.33)	4.07 (10.86)	147.59 (128.22)	- (-)	- (-)	- (-)	- (-)	4.81 (3.31)	222.52 (193.43)
- Payable	141.17 (79.65)	- (-)	- (0.57)	170.24 (192.35)	- (-)	- (-)	0.50 (0.40)	- (-)	0.09 (0.44)	312.00 (273.41)
Provision for doubtful debts	-	-	-	1.15	-	-	-	-	-	1.15
	(-)	(-)	(-)	(1.96)	(-)	(-)	(-)	(-)	(-)	(1.96)

### Notes:-

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

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

Controlling Companies	KSB AG Canadian Kay Pump Ltd. MIL Controls Ltd. Pofran Sales & Agency Ltd.
Associate Company	
Subsidiary Company	
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 P.T. KSB., Indonesia KSB Taiwan Co. Ltd. KSB Ltd., Tokyo KSB Brazil KSB Korea KSB Mexico KSB Nederland DP Industries B.V., Nederland KSB Pumps Arabia Ltd. KSB Ltd., U.K. KSB Italia S.p.A., Italy KSB Pompa Turkey

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

	<p>KSB Shanghai Pump Co. Ltd., China  KSB Valves (Shanghai) Co. Ltd., China  Mercantile-KSB Oy AB, Finland  KSB Pakistan  Delian KSB Amri Valves Co. Ltd., China  Bombas ITUR S.A., Spain  KSB TESMA S.A., Griechenland  KSB Tech Pvt. Ltd., India  GIW Industries Inc., USA  KSB Middle East FZE, Dubai  KSB Pumpy + Armatury spol. sr. o, Czech  KSB Service LLC  KSB Pompy Armatura Poland  KSB Compania Sudamericana  KSB Belgium SA  KSB China  KSB Pumps &amp; Valves Malaysia  KSB Finanz SA  KSB AMV SA Spain  KSB Finland  KSB Mork AB, Sweden  KSB Lindflaten, Norway.  KSB Osterreich, Austria  KSB Pompes ET Robinetteries Sarl, Morocco  KSB Argentina  KSB Service GMBH  KSB Canada  KSB New Zeland  Rotary Equipment  KSB OOO, Russia  KSB Valulas Ltda. Brazil  KSB Services Ltd, Saudi Arabia  AMRI Inc., USA  Mr. W. Spiegel  Mr. Gaurav Swarup  Mahendra Swarup &amp; Sons HUF  Mr. Vikram Swarup  Mrs. Bindu Swarup  Mrs. Parul Swarup  The Industrial &amp; Prudential Investment Co. Ltd.  New Holding and Trading Company Ltd.  Paharpur Cooling Towers Ltd.</p>
	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 reporting enterprise exercise significant influence

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

**Note 38** - Where a financial report contains both consolidated financial statements and separate financial statement for the parent, segment information needs to be presented only in case of consolidated financial statements. Accordingly, segment information has been provided only in the consolidated financial statements.

**Note 39** - Details of provisions and movements in each class of provisions as required by the Accounting Standard on 'Provisions, Contingent liabilities and Contingent assets' (AS-29)

Particulars	2013		2012	
	Warranty ₹ in Million	Other Provisions (for Statutory levies) ₹ in Million	Warranty ₹ in Million	Other Provisions (for Statutory levies) ₹ in Million
Carrying amount at the beginning of the year	26.24	47.02	24.25	67.13
Additional Provision made during the year	31.12	34.69	29.80	47.02
Amount used during the year	(24.62)	-	(27.71)	-
Unused amount reversed during the year	(1.62)	(47.02)	(0.10)	(67.13)
Carrying amount at the end of the year	31.12	34.69	26.24	47.02

**Note 40 - Earnings per Share**

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

**Note 41** - Repairs to machinery include ₹ 43.17 Million (previous year - ₹ 40.23 Million) spares consumed.

**Note 42** - Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2013 as reduced by the provision for 9 months up to 31st December, 2012 and the provision based on the figures for the remaining 9 months up to 31st December, 2013. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2013 will be determined based on the results for the year 1st April, 2013 to 31st March, 2014.

**Note 43** - Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Signature to Notes 1 to 43

	G. Swarup	Chairman
	A.R. Broacha	} Directors
	N.N. Kampani	
	Dr. Stephan Bross	
	Pradip Shah	
	Dr. W. Schmitt	
R. Narasimhan	W. Spiegel	Managing Director
Company Secretary		

Mumbai, 11th February, 2014

To The Board of Directors of  
KSB Pumps Limited

### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of KSB PUMPS LIMITED (the "Company"), and its subsidiary (the Company and its subsidiary constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st December, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. The Consolidated Financial Statements include investment in an associate accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

### **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on

our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiary referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:



## INDEPENDENT AUDITORS' REPORT

## CONSOLIDATED (Contd.)

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

### OTHER MATTER

We did not audit the financial statements of Pofran Sales and Agency Limited, a subsidiary, whose financial statements reflect total assets of ₹ 63,690,280 as at 31st December, 2013, total revenues of ₹ 19,175,890 and cash outflows amounting to ₹ 9,764,160 for the year ended

on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose report have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on the report of the other auditors.

Our opinion is not qualified in respect of this matter.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
(Registration No. 117366W/ W-100018)

Hemant M. Joshi  
Partner

Membership No. 038019

Pune, 11th February, 2014

## Consolidated Balance Sheet as at 31st December, 2013

Particulars	Note No.	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	3	348.08	348.08
(b) Reserves and surplus	4	4,769.64	4,325.99
		<u>5,117.72</u>	<u>4,674.07</u>
(2) Non-current liabilities			
(a) Other long-term liabilities	5	60.44	56.04
(b) Long-term provisions	6	232.68	227.65
		<u>293.12</u>	<u>283.69</u>
(3) Current liabilities			
(a) Short-term borrowings	7	31.85	168.52
(b) Trade payables	8	1,210.08	1,121.77
(c) Other current liabilities	9	1,045.47	942.94
(d) Short-term provisions	10	291.28	346.51
		<u>2,578.68</u>	<u>2,579.74</u>
		<u>7,989.52</u>	<u>7,537.50</u>
<b>TOTAL</b>			
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11.A	1,795.44	1,566.74
(ii) Intangible assets	11.B	17.03	17.90
(iii) Capital work-in-progress		82.42	267.06
		<u>1,894.89</u>	<u>1,851.70</u>
(b) Non-current investments	12	484.83	427.79
(c) Deferred tax assets (net)	13	77.75	74.58
(d) Long-term loans and advances	14	565.69	486.96
(e) Other non-current assets - Long term trade receivables (Unsecured, Considered Good)		-	8.61
		<u>3,023.16</u>	<u>2,849.64</u>
(2) Current assets			
(a) Inventories	15	1,833.02	1,935.35
(b) Trade receivables	16	1,267.29	1,460.86
(c) Cash and cash equivalents	17	1,600.64	1,044.66
(d) Short-term loans and advances	18	230.69	218.68
(e) Other current assets	19	34.72	28.31
		<u>4,966.36</u>	<u>4,687.86</u>
		<u>7,989.52</u>	<u>7,537.50</u>
<b>TOTAL</b>			

See accompanying notes forming part of the consolidated financial statements

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

Hemant M. Joshi  
(Partner)

R. Narasimhan  
Company Secretary

G. Swarup	}	Chairman
A.R. Broacha		Directors
N.N. Kampani		
Dr. Stephan Bross		
Pradip Shah		
Dr. W. Schmitt		Managing Director

W. Spiegel

Pune, 11th February, 2014

Mumbai, 11th February, 2014

## Consolidated Statement of Profit and Loss for the year ended 31st December, 2013

Particulars	Note No.	For the Year ended 31st December, 2013 ₹ in Million	For the Year ended 31st December, 2012 ₹ in Million
1. Revenue from operations (gross)	20	7,864.38	7,628.12
Less: Excise duty	20	(537.03)	(474.30)
Revenue from operations (net)		7,327.35	7,153.82
2. Other income	21	127.35	144.53
3. Total revenue (1+2)		7,454.70	7,298.35
4. Expenses			
Cost of materials consumed	22.a	3,325.93	3,415.15
Purchases of stock-in-trade		74.82	108.17
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22.b	42.57	58.10
Employee benefits expense	23	1,100.97	1,036.67
Finance costs	24	25.94	52.40
Depreciation and amortisation expense	11.A & 11.B	265.29	235.39
Other expenses	25	1,774.04	1,615.83
Expenditure transferred to capital account		(10.60)	(8.78)
Total expenses		6,598.96	6,512.93
5. Profit before tax (3 - 4)		855.74	785.42
6. Tax expense:			
(a) Current tax		284.05	271.30
(b) Short/ (excess) provision in respect of earlier years		3.63	(16.43)
(c) Deferred tax		(3.17)	(22.25)
		284.51	232.62
7. Profit for the year (5 - 6)		571.23	552.80
8. Add: Share of profit for the year in respect of investment in Associate Company		96.41	82.99
		667.64	635.79
9. Earnings per equity share (Face Value per share ₹ 10/-): (Refer Note 35)			
(1) Basic		19.18	18.27
(2) Diluted		19.18	18.27
See accompanying notes forming part of the consolidated financial statements			

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

Hemant M. Joshi  
(Partner)

R. Narasimhan  
Company Secretary

Pune, 11th February, 2014

G. Swarup  
A.R. Broacha  
N.N. Kampani  
Dr. Stephan Bross  
Pradip Shah  
Dr. W. Schmitt

Chairman  
Directors  
Managing Director

W. Spiegel

Mumbai, 11th February, 2014

## Consolidated Cash Flow Statement for the year ended 31st December, 2013

Particulars	For the Year ended 31st December, 2013		For the Year ended 31st December, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
<b>A. Cash flow from operating activities</b>				
Net Profit/ (Loss) before tax		855.74		785.42
Adjustments for:				
Depreciation and amortisation expense	265.29		235.39	
(Profit)/ loss on sale/ disposal/ write off of fixed assets	3.57		(1.84)	
Finance cost	25.94		52.40	
Interest income	(108.24)		(105.74)	
Provision for diminution in value of non- current investments	0.40		-	
Unrealised exchange (gain)/ loss	1.59		(5.17)	
		<u>188.55</u>		<u>175.04</u>
Operating profit/ (loss) before working capital changes		1,044.29		960.46
Adjustment for changes in working capital:				
Inventories	102.33		44.84	
Trade receivables	193.57		374.18	
Short-term loans and advances	(12.01)		54.28	
Long-term loans and advances	(90.05)		(26.32)	
Other non-current assets - Long term trade receivables	8.61		39.42	
Trade payables	88.31		(77.96)	
Other current liabilities	83.05		65.36	
Other long-term liabilities	4.40		3.02	
Short-term provisions	(23.81)		(5.83)	
Long-term provisions	5.03		43.94	
		<u>359.43</u>		<u>514.93</u>
Cash generated from operations		1,403.72		1,475.39
Direct taxes paid		<u>(350.21)</u>		<u>(216.16)</u>
Net cash flow from/ (used in) operating activities (A)		<u>1,053.51</u>		<u>1,259.23</u>
<b>B. Cash flow from investing activities</b>				
Purchase of fixed assets	(256.00)		(534.27)	
Proceeds from sale of fixed assets	4.48		3.52	
Interest received	101.83		104.25	
Income from non-trade investments (non-current)	38.96		38.96	
Net cash flow from/ (used in) investing activities (B)		(110.73)		(387.54)

## Consolidated Cash Flow Statement for the year ended 31st December, 2013

Particulars	For the Year ended 31st December, 2013		For the Year ended 31st December, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
<b>C. Cash flow from financing activities</b>				
Working capital borrowings	(136.67)		(463.03)	
Finance cost	(25.94)		(52.40)	
Dividends paid	(191.27)		(139.05)	
Tax on dividend	(31.33)		(22.59)	
Net cash flow from/ (used in) financing activities (C)		(385.21)		(677.07)
Unrealized exchange gain/ (loss) in cash and cash equivalents (D)		(1.59)		5.17
Net increase/ (decrease) in Cash and cash equivalents (A + B + C + D)		555.98		199.79
Cash and cash equivalents (Opening Balance)		1,044.66		844.87
Cash and cash equivalents (Closing Balance)		1,600.64		1,044.66
<b>Cash and cash equivalents at the end of the year include:</b>		<b>As at 31st Dec. 2013</b>	<b>As at 31st Dec. 2012</b>	<b>As at 31st Dec. 2011</b>
(a) Cash on hand		0.60	0.41	0.39
(b) Balances with banks				
(i) In current accounts		458.79	207.56	87.60
(ii) In deposit accounts		1,138.83	834.45	754.81
(iii) In unpaid dividend/ deposits account		2.42	2.24	2.07
Cash and Cash equivalents at the end of the year		<u>1,600.64</u>	<u>1,044.66</u>	<u>844.87</u>

Note:

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

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

Hemant M. Joshi  
(Partner)

R. Narasimhan  
Company Secretary

Pune, 11th February, 2014

G. Swarup  
A.R. Broacha  
N.N. Kampani  
Dr. Stephan Bross  
Pradip Shah  
Dr. W. Schmitt

} Chairman  
} Directors

W. Spiegel  
Managing Director

Mumbai, 11th February, 2014

## Notes forming part of the consolidated financial statements

Note	Particulars														
1	<p><b>Company Overview</b></p> <p>Products: The Company is engaged in the business of manufacture of different types of power driven pumps and industrial valves. Castings are mainly produced for captive consumption.</p> <p>Operations: The Company has factories at the following places:-</p> <p>A) Irrigation and Process Pumps Division (I.P.D.) at Pimpri Manufacturing of submersible pumps, vertical and horizontal pumps, series and non-series pumps, Multistage pumps, chemical process pumps, non clog pumps and water pumps.</p> <p>B) Power Projects Division (P.P.D.) at Chinchwad Manufacturing of primary heat transfer pumps, moderator pumps, main boiler feed pumps and multistage condense extraction pumps, re-heater drain pumps and auxiliary boiler feed pumps.</p> <p>C) Foundry Division at Vambhori Manufacturing of steel &amp; iron castings including for captive consumption.</p> <p>D) Coimbatore Unit Manufacturing of valves (Globe, Gate, Check, Butterfly &amp; Ball valves).</p> <p>E) Nashik Unit (Sinnar) Established in 1995, this unit is engaged in the manufacture of high pressure and submersible pumps.</p>														
2	<p><b>Significant accounting policies</b></p>														
2.1	<p>Fixed assets and depreciation/ amortisation:</p> <p>(a) Fixed assets are stated at cost of acquisition or construction less depreciation/ amortisation. Cost comprises the purchase price and other attributable costs.</p> <p>(b) Depreciation/amortization on fixed assets:</p> <p>i) Depreciation on tangible fixed assets is provided at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 on the written down value (WDV) method in respect of buildings, furniture and fixtures and vehicles and on the straight line method (SLM) in respect of other assets. However, the rate of depreciation in respect of the following assets is higher :-</p> <table> <tr> <td>Jigs &amp; fixtures</td> <td>- 33% (SLM)</td> </tr> <tr> <td>Furniture &amp; fixtures</td> <td>- 37% (WDV)</td> </tr> <tr> <td>Office equipments</td> <td>- 10% (SLM)</td> </tr> <tr> <td>Electrical installations</td> <td>- 10% (SLM)</td> </tr> <tr> <td>Vehicles</td> <td>- 60% (WDV)</td> </tr> </table> <p>Leasehold land and assets taken on lease are amortised over the period of the lease.</p> <p>ii) Intangible assets are amortised on the straight line method at the following rates :</p> <table> <tr> <td>Rights, techniques, Process and Know-how</td> <td>- 14.29%, 20%</td> </tr> <tr> <td>Software</td> <td>- 33%</td> </tr> </table>	Jigs & fixtures	- 33% (SLM)	Furniture & fixtures	- 37% (WDV)	Office equipments	- 10% (SLM)	Electrical installations	- 10% (SLM)	Vehicles	- 60% (WDV)	Rights, techniques, Process and Know-how	- 14.29%, 20%	Software	- 33%
Jigs & fixtures	- 33% (SLM)														
Furniture & fixtures	- 37% (WDV)														
Office equipments	- 10% (SLM)														
Electrical installations	- 10% (SLM)														
Vehicles	- 60% (WDV)														
Rights, techniques, Process and Know-how	- 14.29%, 20%														
Software	- 33%														
2.2	<p>Investments</p> <p>Long-term Investments are valued at cost of acquisition and related expenses. Provision is made for other than temporary diminution, if any, in the value of such investments.</p>														
2.3	<p>Inventories</p> <p>Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, components, stores, spares and loose tools the weighted average method is used.</p> <p>Costs of work-in-progress and manufactured finished products include material costs, labour and factory overheads on the basis of full absorption costing.</p>														
2.4	<p>Trade receivables and advances</p> <p>Specific debts and advances identified as irrecoverable or doubtful are written-off or provided for, respectively.</p>														
2.5	<p>Foreign exchange transactions</p> <p>Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Realised gains and losses as also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Statement of Profit and Loss. Premium/ Discount in respect of Forward Contracts is accounted for over the period of contract.</p>														
2.6	<p>Revenue Recognition</p> <p>(i) Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers.</p> <p>(ii) Dividend income from investments is recognised when the owner's right to receive the payment is established.</p> <p>(iii) Income from services rendered is accounted for when the work is performed.</p>														

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

Note	Particulars
2.7	<p>Employee Benefits</p> <p>Employee benefits includes gratuity, superannuation and provident fund and leave encashment benefits under the approved schemes of the Company.</p> <p>In respect of defined contribution plans, the contribution payable for the year is charged to the Statement of Profit and Loss.</p> <p>In respect of defined benefit plans and other long term employee benefits, the employee benefit costs is accounted for based on an actuarial valuation as at the balance sheet date.</p>
2.8	<p>Product Warranty</p> <p>Cost of product warranties is disclosed under the head</p> <p>(i) 'cost of materials consumed' as consists of free replacement of spares.</p> <p>(ii) 'miscellaneous expenses' which includes provision for warranties.</p>
2.9	<p>Taxes on Income</p> <p>Tax expense for the year is included in the determination of the net profit for the year.</p> <p>Deferred tax is recognised on all timing differences, subject to consideration of prudence in respect of deferred tax assets.</p>
2.10	<p>Leases</p> <p>Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.</p>
2.11	<p>Borrowing Costs</p> <p>Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.</p>
2.12	<p>Cash Flow Statement</p> <p>The Cash Flow statement is prepared by the indirect method set out in Accounting Standard (AS) - 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.</p>
2.13	<p>Use of Estimates</p> <p>The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognized in the year in which the results are known/ materialized.</p>
2.14	<p>Provisions, Contingent Liabilities and Contingent Assets</p> <p>As per Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.</p> <p>No provision is recognised for:</p> <p>(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</p> <p>(ii) Any present obligation that arises from past events but is not recognized because-</p> <ul style="list-style-type: none"> <li>- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or</li> <li>- A reliable estimate of the amount of obligation cannot be made.</li> </ul> <p>Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.</p> <p>Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.</p>
2.15	<p>Earnings per share</p> <p>The Company reports basic and diluted earnings per share in accordance with Accounting Standard - 20 on Earnings per Share.</p> <p>Basic earnings per share is computed by dividing profit for the year after tax by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year after tax by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.</p>

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

### Note 3 - Share capital

Particulars	As at 31st December, 2013		As at 31st December, 2012	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Authorised:				
Equity shares of ₹ 10/- each.	40,000,000	400.00	40,000,000	400.00
Issued, Subscribed and Fully Paid up:				
Equity shares of ₹ 10/- each.	34,807,844	348.08	34,807,844	348.08
Total	34,807,844	348.08	34,807,844	348.08

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

	As at 31st December, 2013		As at 31st December, 2012	
	₹ in Million	No. of shares	₹ in Million	No. of shares
No. of shares outstanding at the beginning				
- Equity shares	348.08	34,807,844	348.08	34,807,844
Add: Additional shares issued				
- Equity shares	-	-	-	-
Less: Shares forfeited/ Bought back				
- Equity shares	-	-	-	-
No. of shares outstanding at the end				
- Equity shares	348.08	34,807,844	348.08	34,807,844

(ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each shareholder of equity shares is entitled to one vote per share.

(iii) Aggregate number of equity shares allotted as fully paid up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 17,403,922 (Previous Year - 17,403,922).

(iv) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Particulars	As at 31st December, 2013		As at 31st December, 2012	
	No. of shares	% of shares held	No. of shares	% of shares held
Canadian Kay Pump Ltd.	14,110,848	40.54%	14,110,848	40.54%
The Industrial & Prudential Investment Co. Ltd.	7,140,000	20.51%	7,140,000	20.51%
Reliance Capital Trustee Company Ltd. (held in Reliance Infrastructure Fund and Reliance Tax Saver (ELSS) Fund)	2,655,080	7.63%	2,740,280	7.87%

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



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

### Note 4 - Reserves and surplus

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Capital reserve		
Opening balance	0.09	0.09
Add: Additions	-	-
Less: Utilised/ transferred	-	-
Closing balance	0.09	0.09
Capital redemption reserve		
Opening balance	0.10	0.10
Add: Additions	-	-
Less: Utilised/ transferred	-	-
Closing balance	0.10	0.10
Securities premium account		
Opening balance	3.20	3.20
Add : Premium on shares issued	-	-
Less : Utilised	-	-
Closing balance	3.20	3.20
General reserve		
Opening balance	958.97	898.97
Add: Transferred from surplus in Statement of Profit and Loss	61.00	60.00
Less: Utilisations/ transfers	-	-
Closing balance	1,019.97	958.97
Amalgamation Reserve		
Opening balance	0.06	0.06
Add: Additions/ transfers	-	-
Less: Utilisations/ transfers	-	-
Closing balance	0.06	0.06
Surplus in Statement of Profit and Loss		
Opening balance	3,363.57	3,010.29
Add: Transferred from Statement of Profit and Loss	667.64	635.79
Less: First interim dividend	34.81	34.81
Second interim dividend	-	156.64
Proposed dividend (₹ 4.50 per share) (previous year ₹ Nil per share)	156.64	-
Tax on first interim dividend	5.92	5.65
Tax on second interim dividend	-	25.41
Tax on proposed dividend	26.62	-
Transferred to General reserve	61.00	60.00
Closing balance	3,746.22	3,363.57
Total	4,769.64	4,325.99

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

### Note 5 - Other long-term liabilities

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Other than trade payables:		
Other Payables (includes Deposits received from dealers, etc.)	60.44	56.04
Total	<u>60.44</u>	<u>56.04</u>

### Note 6 - Long-term provisions

Provision for employee benefits (Refer Note 31)	222.31	218.90
Other Provisions:		
Provision for Warranty (Refer Note 34)	10.37	8.75
Total	<u>232.68</u>	<u>227.65</u>

### Note 7 - Short-term borrowings

Loans Repayable on Demand		
Working Capital Facilities/ Packing credit from banks (Secured)	31.85	151.72
Book overdraft (unsecured)	-	16.80
Total	<u>31.85</u>	<u>168.52</u>

Note:

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

Particulars	Nature of security	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Working Capital Facility -1	Pledge of Fixed Deposits of ₹ 90 Million (previous year ₹ 220 Million)	0.21	2.04
Working Capital Facility -2	Pledge of Fixed Deposits of ₹ 433.76 Million (previous year ₹ 433.76 Million) and hypothecation of stocks including loose tools, stores and spares, book debts.	31.64	40.21
Working Capital Facility -3	Hypothecation of stocks including loose tools, stores and spares, book debts.	-	109.47
Total		<u>31.85</u>	<u>151.72</u>

### Note 8 - Trade payables

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Trade payables	1,210.08	1,121.77
Total	<u>1,210.08</u>	<u>1,121.77</u>

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

### Note 9 - Other current liabilities

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Current maturities of finance lease obligations (Refer Note 30)	-	0.02
Unclaimed Dividend	2.42	2.24
Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	192.07	148.08
(ii) Payables for purchase of fixed assets	30.07	10.75
(iii) Advances from customers	539.59	512.18
(iv) Others (Liquidated damages, Donation etc.)	281.32	269.67
Total	<u>1,045.47</u>	<u>942.94</u>

### Note 10 - Short-term provisions

Provision for employee benefits (Refer Note 31)	48.83	63.57
Provision - Others:		
(i) Tax provisions less payments (current tax)	3.75	36.38
(ii) Provision for Warranty (Refer Note 34)	20.75	17.49
(iii) Second interim dividend	-	156.64
(iv) Proposed dividend	156.64	-
(v) Tax on second interim dividend	-	25.41
(vi) Tax on proposed dividend	26.62	-
(vii) Provision - others (for statutory levies) (Refer Note 34)	34.69	47.02
	<u>242.45</u>	<u>282.94</u>
Total	<u>291.28</u>	<u>346.51</u>

## Note 11 - Fixed assets - Tangible and Intangible assets

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

Particulars	Gross block				Depreciation/ Amortisation			Net block		
	As at 31st December, 2012	Additions during the year	Deductions during the year	As at 31st December, 2013	Upto 31st December, 2012	Provided during the year	Deductions during the year	Upto 31st December, 2013	As at 31st December, 2013	As at 31st December, 2012
<b>A. Tangible Assets</b>										
(a) Land	3.01	-	-	3.01	-	-	-	-	3.01	3.01
- Freehold	15.15	-	-	15.15	2.86	0.18	-	3.04	12.11	12.29
- Leasehold	535.86	109.34	17.72	627.48	257.35	34.35	14.34	277.36	350.12	278.51
(b) Buildings (See Note)	2,665.84	351.79	102.98	2,914.65	1,448.53	202.05	98.81	1,551.77	1,362.88	1,217.31
(c) Plant and Equipment	78.68	15.16	2.62	91.22	68.64	7.48	2.62	73.50	17.72	10.04
(d) Furniture and Fixtures	47.09	6.17	8.50	44.76	38.73	5.92	8.33	36.32	8.44	8.36
(e) Vehicles	0.21	-	0.21	-	0.20	-	0.20	-	-	0.01
- Owned	83.23	12.09	5.70	89.62	46.02	7.82	5.38	48.46	41.16	37.21
- Taken under finance lease (Refer Note 30)	0.04	-	-	0.04	0.04	-	-	0.04	-	-
(f) Office equipment	3,429.11	494.55	137.73	3,785.93	1,862.37	257.80	129.68	1,990.49	1,795.44	1,566.74
(g) Development of Property	3,183.00	283.34	37.23	3,429.11	1,669.85	228.07	35.55	1,862.37	1,566.74	1,513.15
<b>Total Tangible Assets</b>										
Previous year										
<b>B. Intangible Assets</b>										
(other than internally generated)										
(a) Computer software	36.28	5.87	-	42.15	27.33	6.05	-	33.38	8.77	8.95
(b) Copyrights, patents and other intellectual property rights, services and operating rights	56.45	0.75	-	57.20	47.50	1.44	-	48.94	8.26	8.95
<b>Total Intangible Assets</b>	92.73	6.62	-	99.35	74.83	7.49	-	82.32	17.03	17.90
Previous year	81.89	10.84	-	92.73	67.51	7.32	-	74.83	17.90	14.38

Note:

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

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

### Note 12 - Non-current investments

Particulars	As at 31st December, 2013		As at 31st December, 2012
	₹ in Million	₹ in Million	₹ in Million
Unquoted, Non-trade			
Investment in equity instruments of associates (at carrying cost)			
MIL Controls Limited - 735,000 (previous year -735,000) equity shares of ₹ 10 each fully paid. (Includes ₹ 24.52 Million (previous year ₹ 24.52 Million) of goodwill arising on acquisition of associate)		484.83	427.38
Investment in equity instruments of Other Entities (at cost)			
Pravara Electric Co-operative Society Limited - 15,995 (previous year - 15,995) shares of ₹ 25 each fully paid.	0.40		0.40
Less : Provision for diminution in value of investments	(0.40)	-	-
		-	0.40
Investment in government securities - Indira Vikas Patra		-	0.01
Total		484.83	427.79

### Note 13 - Deferred Tax Assets (Net)

(i) Break up of deferred tax liability as at year end :			
Nature of timing difference			
Provision for Depreciation		102.85	90.18
Total		102.85	90.18
(ii) Break up of deferred tax asset as at year end:			
Nature of timing difference			
Provision for compensated absences and gratuity		92.16	91.66
Provision for doubtful debts and advances		49.90	34.68
Others		38.54	38.42
Total		180.60	164.76
(iii) Deferred tax Asset/ (Liability) Net		77.75	74.58

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

### Note 14 - Long-term loans and advances

(Unsecured - considered good unless otherwise stated)

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Capital advances	33.96	75.18
Security Deposits		
Considered Good	30.16	25.54
Considered Doubtful	4.84	8.37
	35.00	33.91
Less: Provision for doubtful security deposits	4.84	8.37
	30.16	25.54
Other loans and advances		
- Loans and advances to employees	17.69	20.38
- Taxes paid in advance less provisions (current tax)	133.25	103.35
- Balances with government authorities - VAT credit receivable etc.		
Considered Good	349.24	262.14
Considered Doubtful	20.90	20.90
	370.14	283.04
Less: Provision for doubtful loans and advances	20.90	20.90
	349.24	262.14
- Prepaid Expenses	1.39	0.37
Total	565.69	486.96

### Note 15 - Inventories

(at cost or net realisable value whichever is lower)

Raw materials (including Goods-in-transit ₹ 2.13 Million (previous year ₹ 1.50 Million))	489.11	546.73
Work-in-progress	911.11	906.54
Finished goods	314.62	338.71
Stock-in-trade (in respect of goods acquired for trading)	62.55	85.60
Stores and spares	43.57	42.10
Loose tools	12.06	15.67
Total	1,833.02	1,935.35

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

### Note 16 - Trade receivables

(Unsecured - considered good unless otherwise stated)

Particulars	As at 31st December, 2013 ₹ in Million	As at 31st December, 2012 ₹ in Million
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	126.58	134.48
Doubtful	114.67	72.19
	241.25	206.67
Other Trade receivables		
Considered good	1,140.71	1,326.38
Doubtful	-	-
	1,140.71	1,326.38
Total	1,381.96	1,533.05
Less: Provision for doubtful trade receivables	114.67	72.19
Total	1,267.29	1,460.86

### Note 17 - Cash and cash equivalents

Cash on hand	0.60	0.41
Balances with banks		
- In current accounts	458.79	207.56
- In deposit accounts	615.07	180.69
- In earmarked accounts		
- Unpaid dividend accounts	2.42	2.24
- Balances held as security against borrowings	523.76	653.76
Total	1,600.64	1,044.66

### Note 18 - Short-term loans and advances

(Unsecured - considered good unless otherwise stated)

Loans and advances to related parties (Refer Note 33)	6.61	13.08
Other Loans and Advances		
- Employee advances	15.78	12.87
- Prepaid expenses	6.30	9.92
- Balances with government authorities (CENVAT and Service Tax receivable)	43.44	83.22
- Others (includes Advances to Suppliers, DEPB Receivable, Insurance Claim Receivable, etc.)		
Considered good	158.56	99.59
Doubtful	6.00	5.40
	164.56	104.99
Less: Provision for other doubtful loans and advances	6.00	5.40
Total	230.69	218.68

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

### Note 19 - Other current assets

Particulars	As at 31st December, 2013	As at 31st December, 2012
	₹ in Million	₹ in Million
Interest accrued on fixed deposits	34.72	28.31
Total	<u>34.72</u>	<u>28.31</u>

	For the year ended 31st December, 2013	For the year ended 31st December, 2012
	₹ in Million	₹ in Million

### Note 20 - Revenue from operations

Sale of products	7,638.35	7,416.63
Sale of services	158.86	171.87
Other operating revenues		
- Scrap Sale	25.07	23.78
- Export Incentive	42.10	15.84
	<u>7,864.38</u>	<u>7,628.12</u>
Less:		
Excise duty	(537.03)	(474.30)
Total	<u>7,327.35</u>	<u>7,153.82</u>

### Note 21 - Other income

Interest on Bank deposits, Income tax refunds, delayed payments from dealers/ customers, etc.	108.24	105.74
Sundry credit balances & Provisions no longer required, written back	-	10.90
Profit on sale/ disposal/ write off of fixed assets	-	1.84
Net gain on foreign currency transactions and translation	0.92	-
Other non-operating income (net of expenses directly attributable to such income)	18.19	26.05
Total	<u>127.35</u>	<u>144.53</u>

### Note 22a - Cost of materials consumed

Raw Materials and Components Consumed	<u>3,325.93</u>	<u>3,415.15</u>
Cost of materials consumed	<u>3,325.93</u>	<u>3,415.15</u>



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

### Note 22b - Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31st December, 2013  ₹ in Million	For the year ended 31st December, 2012  ₹ in Million
<u>Inventories at the end of the year:</u>		
Finished goods	314.62	338.71
Work-in-progress	911.11	906.54
Stock-in-trade	62.55	85.60
	<u>1,288.28</u>	<u>1,330.85</u>
<u>Inventories at the beginning of the year:</u>		
Finished goods	338.71	429.42
Work-in-progress	906.54	873.33
Stock-in-trade	85.60	86.20
	<u>1,330.85</u>	<u>1,388.95</u>
Net (increase)/ decrease	42.57	58.10
 <u>Note 23 - Employee benefit expenses</u>		
Salaries and wages	935.45	866.27
Contributions to provident and other funds (Refer Note 31)	89.37	94.68
Staff welfare expenses	76.15	75.72
Total	<u>1,100.97</u>	<u>1,036.67</u>
 <u>Note 24 - Finance cost</u>		
Interest expense	25.94	52.40
Total	<u>25.94</u>	<u>52.40</u>

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

### Note 25 Other expenses

Particulars	For the year ended 31st December, 2013 ₹ in Million	For the year ended 31st December, 2012 ₹ in Million
Processing & Machining Charges	325.43	295.09
Stores Consumed	126.22	112.40
Tools Consumed	47.55	55.21
Water, Power and fuel	156.66	143.56
Rent	9.33	9.85
Excise duty relating to increase/ (decrease) in finished goods stock	(5.19)	0.10
Rates and taxes (Refer Note 34)	15.27	(2.62)
Insurance (Net)	5.42	3.31
Repairs and maintenance - Buildings	17.42	13.61
- Machinery	60.53	60.05
- Others	73.07	85.65
	151.02	159.31
Travelling and conveyance	58.94	58.64
Packing & Forwarding Charges (net of recoveries - ₹ 33.52 in Million; previous year ₹ 37.02 in Million)	197.12	205.36
Directors' fees	0.49	0.41
Auditors' remuneration (net of service tax) and expenses:		
Audit fees	1.30	1.30
Tax audit fees	0.30	0.30
Accounts for tax purposes	0.45	0.45
Company law matters	-	0.01
Fees for other services	1.40	1.40
Reimbursement of out of pocket expenses	0.20	0.13
	3.65	3.59
Cost Audit Fees	0.40	0.38
Sales commission		
Sole Selling agents	100.84	103.36
Other Selling agents	35.56	17.69
	136.40	121.05
Discount Expenses	16.32	16.66
Royalty Charges	52.49	29.87
In respect of late delivery under contracts	17.63	1.96
Provision for doubtful receivables and advances (net)	39.55	43.35
Provision for diminution in the value of non-current investments	0.40	-
Legal and professional (including SAP implementation/ upgradation expenses ₹ 8.58 Million; previous year - ₹ Nil)	33.77	27.98
Net loss on foreign currency transactions and translation	-	17.65
Loss on sale/ disposal/ write off of fixed assets	3.57	-
Miscellaneous expenses	381.60	312.72
<b>Total</b>	<b>1,774.04</b>	<b>1,615.83</b>

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

### Note 26 - Contingent Liabilities and Commitments

Particulars	As at 31st December, 2013	As at 31st December, 2012
	₹ in Million	₹ in Million
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debts	10.99	7.44
(b) Taxation matters in dispute pending at various stages of appeal	63.20	50.61
(c) Bills Discounted/ Cheques purchased with banks	35.25	26.79
(d) Excise matters	75.46	70.83
(e) Guarantees given by the bankers on behalf of the Company	1,186.38	970.70
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for -		
-Tangible Assets	21.37	83.85

### Note 27a - Details on derivatives instruments (for hedging)

(i) Outstanding forward exchange contracts entered into by the Company as on 31st December, 2013

Particulars	Amount in foreign Currency		Equivalent amount ₹ in Million		Purpose
	Current Year	Previous year	Current Year	Previous year	
Forward Cover	USD 8,684,274 Euro 554,797	USD 8,573,870 Euro 696,876	556.75 48.84	462.81 49.58	Covering Trade Receivables and future sales
Forward Cover	USD 673,701 Euro 5,555,282	USD 180,000 Euro 823,155	41.08 468.74	10.03 60.70	Covering Trade Payables and future purchases

Note 27b - Details of year-end foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in foreign Currency		Equivalent amount ₹ In Million	
	Current Year	Previous year	Current Year	Previous year
Trade Payables	USD 3,887,229 Euro 892,677	USD 4,107,814 Euro 751,462	244.47 77.59	228.81 55.41
Trade Receivables	USD 1,061,041 Euro 92,497	USD 772,078 Euro 434,872	64.59 7.75	41.68 30.93
Bank balances	USD 3,334,497 Euro NIL	USD 2,268,059 Euro 97,170	203.72 -	122.43 6.91

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

**Note 28** - Research and Development expenditure debited to the Statement of Profit and Loss aggregating ₹ 2.43 Million (previous year - ₹ 2.06 Million) has been incurred by the Company and disclosed under appropriate account heads.

**Note 29** - The net exchange differences arising during the year recognised appropriately in the Statement of Profit and Loss - net gain- ₹ 0.92 Million (previous year - net loss- ₹ 17.65 Million).

**Note 30** - 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 ₹ Nil (previous year – ₹ 0.04 Million) and the present value of total minimum lease payments as at the balance sheet date is ₹ Nil (previous year – ₹ 0.02 Million).

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

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

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

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

### Note 31 Disclosures under Accounting Standards

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

#### 31.1.a Defined contribution Plan

Amount recognised as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plan is ₹ 48.63 Million (previous year ₹ 43.72 Million).

#### 31.1.b Defined benefit plans

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

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

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

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

Both the plans are funded.

₹ in Million

	Particulars	Gratuity		Superannuation	
		Year 2013	Year 2012	Year 2013	Year 2012
(A)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :				
1.	Present Value of Defined Benefit Obligation as at 1st January	356.80	315.40	20.63	23.17
2.	Current Service cost	27.37	24.84	1.25	1.41
3.	Interest cost	28.66	26.10	1.68	1.73
4.	Losses (gains) on Curtailment	-	-	-	-
5.	Liabilities extinguished on settlements	-	-	-	-
6.	Plan amendments	-	-	-	-
7.	Actuarial (gains)/ losses	2.16	14.30	1.14	0.46
8.	Benefits paid	(22.79)	(23.84)	(0.80)	(6.14)
9.	Present Value of Defined Benefit Obligation as at 31st December	392.20	356.80	23.90	20.63
(B)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1.	Fair value of Plan assets as at 1st January	215.93	222.94	19.46	22.80
2.	Expected return on plan assets	17.64	16.88	1.54	1.62
3.	Actuarial gains and (losses)	5.00	(0.05)	0.23	0.02
4.	Actual contributions by employers	31.94	-	0.44	1.16
5.	Benefits paid	(22.79)	(23.84)	(0.80)	(6.14)
6.	Plan assets as at 31st December	247.72	215.93	20.87	19.46
(C)	Analysis of Defined Benefit Obligation :				
1.	Defined Benefit Obligation as at 31st December	392.20	356.80	23.90	20.63
2.	Fair Value of Plan Assets at the end of year	(247.72)	(215.93)	(20.87)	(19.46)
3.	Net (Asset)/ Liability recognised in the Balance Sheet as at 31st December	144.48	140.87	3.03	1.17

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

₹ in Million

	Particulars	Gratuity		Superannuation	
		Year 2013	Year 2012	Year 2013	Year 2012
(D)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet :				
1	Present value of Defined Benefit Obligation	392.20	356.80	23.90	20.63
2	Fair value of plan assets	247.72	215.93	20.87	19.46
3	Funded status [Surplus/ (Deficit)]	(144.48)	(140.87)	(3.03)	(1.17)
4	Unrecognised Past Service Costs	-	-	-	-
5	Net Asset/ (Liability) recognised in Balance Sheet	(144.48)	(140.87)	(3.03)	(1.17)
(E)	Components of employer expenses recognised in the Statement of Profit and Loss for the year ended 31st December				
1	Current Service cost	27.37	24.84	1.25	1.41
2	Interest cost	28.66	26.10	1.68	1.73
3	Expected return on plan assets	(17.64)	(16.88)	(1.54)	(1.62)
4	Curtailement cost/ (credit)	-	-	-	-
5	Settlement cost/ (credit)	-	-	-	-
6	Past Service cost	-	-	-	-
7	Actuarial Losses/ (Gains)	(2.84)	14.35	0.91	0.44
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	35.55	48.41	2.30	1.96
(F)	In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through “Insurer Managed Funds”				
(G)	Actuarial Assumptions :				
1	Discount Rate (%)	9.40	8.30	9.40	8.30
2	Expected Return on plan assets (%)	8.00	8.00	8.00	8.00
3	Salary Escalation (%)	7.50	7.50	N/A	N/A
4	Medical cost inflation	N/A	N/A	N/A	N/A
5	Withdrawal Rate (%)	7.00	7.00	7.00	7.00

The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.

Expected Rate of Return of Plan Assets : This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations.

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

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

₹ in Million

(H)	Experience History	Gratuity					Superannuation				
		Year 2013	Year 2012	Year 2011	Year 2010	Year 2009	Year 2013	Year 2012	Year 2011	Year 2010	Year 2009
1	Defined Benefit Obligation at end of the period	392.20	356.80	315.40	260.21	198.52	23.90	20.63	23.17	21.74	18.63
2	Plan Assets at end of the period	247.72	215.93	222.94	192.09	173.47	20.87	19.46	22.80	23.29	19.60
3	Funded Status	(144.48)	(140.87)	(92.46)	(68.12)	(25.05)	(3.03)	(1.17)	(0.37)	1.55	0.97
4	Experience Gain/ (Loss) adjustments on plan liabilities	(27.96)	(7.96)	(42.57)	(7.56)	(14.09)	(2.14)	(0.22)	(1.88)	0.33	(2.06)
5	Experience Gain/ (Loss) adjustments on plan assets	5.00	(0.05)	2.18	0.17	2.15	0.23	0.02	(0.60)	0.97	0.24

(I)	Actual Return on plan assets	Gratuity		Superannuation	
		Year 2013	Year 2012	Year 2013	Year 2012
1	Expected return on plan assets	17.64	16.88	1.54	1.62
2	Actuarial gains and (losses) on plan assets	5.00	(0.05)	0.23	0.02
3	Actual Return on plan assets	22.64	16.83	1.77	1.64

- (I) Contributions expected to be paid to the plan during the next financial year ₹ 36.14 Million (previous year - ₹ 35.42 Million).

Note 32 - Segment Information :  
(A) Primary segments - Business Segments

	Pumps		Valves		Others		Elimination		Total Amount	
	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012
a) Segment Revenue										
Sales to External Customers	6,033.90	5,652.45	1,221.31	1,458.95	4.97	2.80	-	-	7,260.18	7,114.20
Inter Segment Revenue	-	-	1.49	4.77	437.21	380.44	(438.70)	(385.21)	-	-
Total Segment Revenue	6,033.90	5,652.45	1,222.80	1,463.72	442.18	383.24	(438.70)	(385.21)	7,260.18	7,114.20
b) Segment Results	813.98	647.97	18.18	159.19	(14.54)	(19.47)	-	-	817.62	787.69
Unallocated Corporate expenses									(44.18)	(55.61)
Finance Cost									(25.94)	(52.40)
Interest income									108.24	105.74
Profit before tax									855.74	785.42
Income taxes (including short/ (excess) provision in respect of earlier years)									(287.68)	(254.87)
Deferred Tax									3.17	22.25
Profit after tax									571.23	552.80
c) Segment Assets	3,667.17	3,845.02	1,348.42	1,336.94	677.44	705.13			5,693.03	5,887.09
Unallocated Corporate Assets									2,296.49	1,650.41
Total Assets	(2,005.76)	(1,950.21)	(520.97)	(456.98)	(103.09)	(52.32)			7,989.52	7,537.50
d) Segment Liabilities									(2,629.82)	(2,459.51)
Unallocated Corporate liabilities									(241.98)	(403.92)
Total Liabilities									(2,871.80)	(2,863.43)
Net Assets	1,661.41		827.45		574.35					
e) Cost Incurred during the period to acquire segment fixed assets	113.85	199.31	94.91	57.02	66.55	283.97				
f) Depreciation/ Amortisation	168.35	161.54	54.49	50.84	42.45	23.01				
g) Non-cash expenditure other than depreciation/ amortisation	39.95	43.35	-	-	-	-				

Notes :

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

	Domestic		Export		Total	
	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012	₹ Million 2013	₹ Million 2012
(B) Secondary segments - Geographical Segments						
Segment revenue by geographical area based on geographical location of customers	6,116.81	5,997.66	1,143.37	1,116.54	7,260.18	7,114.20

Note:

The Company's operating facilities are located in India.

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



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

### Note 33 - Related Party disclosures

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

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

(B) Related Party Transactions

Nature of transactions	Controlling Companies ₹ in Million	Associate Company ₹ in Million	Common Control ₹ in Million	Key Management Personnel ₹ in Million	Relatives of Key Management Personnel ₹ in Million	Individuals having significant influence over the reporting enterprise ₹ in Million	Relatives of individuals having significant influence over the reporting enterprise ₹ in Million	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence ₹ in Million	Total ₹ in Million
Purchase of goods	64.41 (53.37)	1.25 (0.59)	39.65 (53.04)	- (-)	- (-)	- (-)	- (-)	- (-)	105.31 (107.00)
Purchase of Fixed Assets	0.51	-	0.02	-	-	-	-	-	0.53
Sale of goods	296.92 (445.02)	- (-)	644.28 (456.87)	- (-)	- (-)	- (-)	- (-)	11.20 (6.17)	952.40 (908.06)
Income from services	18.83 (23.84)	- (-)	17.79 (12.15)	- (-)	- (-)	- (-)	- (-)	- (0.02)	36.62 (36.01)
Order Cancellation Charges received	1.16	-	0.65	-	-	-	-	-	1.81
Site expenses paid	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	2.54	-	4.51	-	-	-	-	-	7.05
Commission income	(0.10)	(-)	(0.82)	(-)	(-)	(-)	(-)	(-)	(0.92)
	25.60	-	4.56	-	-	-	-	-	30.16
Commission paid	(29.99)	(-)	(5.11)	(-)	(-)	(-)	(-)	(-)	(35.10)
	-	-	100.84	-	-	-	-	-	100.84
Dividend received	(-)	(-)	(103.36)	(-)	(-)	(-)	(-)	(-)	(103.36)
Liquidated Damages Paid	-	38.96	-	-	-	-	-	-	38.96
	(-)	(38.96)	(-)	(-)	(-)	(-)	(-)	(-)	(38.96)
	-	-	-	-	-	-	-	-	-
Charges paid for technical/ Professional services	(-)	(-)	(1.27)	(-)	(-)	(-)	(-)	(-)	(1.27)
Royalty paid	88.38 (52.88)	- (-)	7.59 (5.64)	- (-)	- (-)	- (-)	- (-)	- (-)	95.97 (58.52)
	52.11	-	0.37	-	-	-	-	-	52.48
	(29.41)	(-)	(0.46)	(-)	(-)	(-)	(-)	(-)	(29.87)

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

Nature of transactions	Controlling Companies ₹ in Million	Associate Company ₹ in Million	Common Control ₹ in Million	Key Management Personnel ₹ in Million	Relatives of Key Management Personnel ₹ in Million	Individuals having significant influence over the reporting enterprise ₹ in Million	Relatives of individuals having significant influence over the enterprise ₹ in Million	Enterprises over which individuals having significant influence over the reporting enterprise exercise significant influence ₹ in Million	Total ₹ in Million
Warranty charges paid	-	-	5.00	-	-	-	-	-	5.00
Rent received	(13.33)	(-)	(0.81)	(-)	(-)	(-)	(-)	(-)	(14.14)
Recovery of expenses	-	1.61	-	-	-	-	-	-	1.61
Reimbursement of expenses	(-)	(1.61)	(-)	(-)	(-)	(-)	(-)	(-)	(1.61)
	3.33	10.30	5.30	-	-	-	-	-	18.93
	(0.32)	(10.89)	(4.17)	(-)	(-)	(-)	(-)	(0.03)	(15.41)
	0.27	-	0.08	-	-	-	-	-	0.35
	(4.49)	(-)	(0.16)	(-)	(-)	(-)	(-)	(-)	(4.65)
	0.76	-	-	-	-	-	-	-	0.76
	(2.83)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.83)
	-	-	-	7.86	-	-	-	-	7.86
	(-)	(-)	(-)	(6.22)	(-)	(-)	(-)	(-)	(6.22)
	-	-	-	-	-	0.12	-	-	0.12
	(-)	(-)	(-)	(-)	(-)	(0.09)	(-)	(-)	(0.09)
	77.61	-	-	-	-	0.19	0.66	48.71	127.17
	(56.44)	(-)	(-)	(-)	(-)	(0.14)	(0.48)	(35.42)	(92.48)
	-	-	-	-	-	0.50	-	-	0.50
	(-)	(-)	(-)	(-)	(-)	(0.40)	(-)	(-)	(0.40)
Amounts outstanding at year end									
- Receivable	65.94	4.07	147.59	-	-	-	-	4.81	222.41
- Payable	(50.71)	(10.86)	(128.22)	(-)	(-)	(-)	(-)	(3.31)	(193.10)
	141.17	-	170.24	-	-	0.50	-	0.09	312.00
	(79.65)	(0.57)	(192.35)	(-)	(-)	(0.40)	(-)	(0.44)	(273.41)
Provision for doubtful debts	-	-	1.15	-	-	-	-	-	1.15
	(-)	(-)	(1.96)	(-)	(-)	(-)	(-)	(-)	(1.96)

Notes:-

- 1) Previous year's figures are shown within brackets.
- 2) The related parties included in the various categories above, where transactions have taken place are given below:

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

<p>Controlling Companies</p> <p>KSB AG Canadian Kay Pump Ltd.</p>	
<p>Associate Company</p> <p>MIL Controls Ltd.</p>	
<p>Common Control</p> <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 P.T. KSB., Indonesia KSB Taiwan Co. Ltd. KSB Ltd., Tokyo KSB Brazil KSB Korea KSB Mexico KSB Nederland DP Industries B.V., Nederland KSB Pumps Arabia Ltd. KSB Ltd., U.K. KSB Italia S.p.A., Italy KSB Pompa Turkey KSB Shanghai Pump Co. Ltd., China KSB Valves (Shanghai) Co. Ltd., China Mercantile-KSB Oy AB, Finland KSB Pakistan Delian KSB Amri Valves Co. Ltd., China Bombas ITUR S.A., Spain KSB TESMA S.A., Griechenland KSB Tech Pvt. Ltd., India GIW Industries Inc., USA KSB Middle East FZE, Dubai KSB Pumpy + Armaturny spol. sr. o, Czech KSB Service LLC</p>	

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

	<p>KSB Pompy Armatura Poland          KSB Compania Sudamericana          KSB Belgium SA          KSB China          KSB Pumps &amp; Valves, Malaysia          KSB Finanz SA          KSB AMV SA, Spain          KSB Finland          KSB Mork AB, Sweden          KSB Lindflaten, Norway.          KSB Oesterreich, Austria          KSB Pompes ET Robintteries Sarl, Morocco          KSB Argentina          KSB Service GMBH          KSB Canada          KSB New Zeland          Rotary Equipment          KSB OOO, Russia          KSB Valvulas Ltda. Brazil          KSB Services Ltd, Saudi Arabia          AMRI Inc., USA</p>
	Mr. W. Spiegel
	Mr. Gaurav Swarup
	Mahendra Swarup & Sons HUF
	Mr. Vikram Swarup
	Mrs. Bindu Swarup
	Mrs. Parul Swarup
	The Industrial & Prudential Investment Co. Ltd. New Holding and Trading Company Ltd. Paharpur Cooling Towers Ltd.
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 reporting enterprise exercise significant influence	

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

**Note 34** - Details of provisions and movements in each class of provisions as required by the Accounting Standard on 'Provisions, Contingent liabilities and Contingent assets' (AS-29)

Particulars	2013		2012	
	Warranty	Other Provisions (for Statutory levies)	Warranty	Other Provisions (for Statutory levies)
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
Carrying amount at the beginning of the year	26.24	47.02	24.25	67.13
Additional Provision made during the year	31.12	34.69	29.80	47.02
Amount used during the year	(24.62)	-	(27.71)	-
Unused amount reversed during the year	(1.62)	(47.02)	(0.10)	(67.13)
Carrying amount at the end of the year	31.12	34.69	26.24	47.02

### Note 35 - Earnings per Share

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

**Note 36** - The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS-21) on "Consolidated Financial Statements". The subsidiary considered in the Consolidated Financial Statement is:-

Name of Company	Country of Incorporation	% of Voting power held	
		As at 31st December, 2013	As at 31st December, 2012
Pofran Sales & Agency Ltd.	India	100.00	100.00

**Note 37a** - 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 2013					
Name of Associate and Country of Incorporation	Ownership Interest (%)	Original cost of Investment ₹ in Million	Amount of Goodwill in Original cost ₹ in Million	Share of Accumulated Profit as at year end ₹ in Million	Carrying cost of Investment (net of dividend) ₹ in Million
MIL Controls Ltd., India	49.00	62.65	24.52	422.18	484.83
For the year 2012					
Name of Associate and Country of Incorporation	Ownership Interest (%)	Original cost of Investment ₹ in Million	Amount of Goodwill in Original cost ₹ in Million	Share of Accumulated Profit as at year end ₹ in Million	Carrying cost of Investment (net of dividend) ₹ in Million
MIL Controls Ltd., India	49.00	62.65	24.52	364.73	427.38

**Note 37b** - The Associate Company follows a different accounting policy in respect of fixed assets. 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 material impact on the accounts of the Group.

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

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**Note 38** - Repairs to machinery include ₹ 43.17 Million (previous year - ₹ 40.23 Million) spares consumed.

**Note 39** - Provision for taxation for the year is an aggregate of the provision made for the year ended 31st March, 2013 as reduced by the provision for 9 months up to 31st December, 2012 and the provision based on the figures for the remaining 9 months up to 31st December, 2013. However, the ultimate tax liability for the remaining 9 months up to 31st December, 2013 will be determined based on the results for the year 1st April, 2013 to 31st March, 2014.

**Note 40** - Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Signature to Notes 1 to 40

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G. Swarup	}	Chairman
A.R. Broacha		
N.N. Kampani		
Dr. Stephan Bross		Directors
Pradip Shah		
Dr. W. Schmitt		

R. Narasimhan  
Company Secretary

W. Spiegel  
Managing Director

Mumbai, 11th February, 2014

**Summary of Financial Information of Subsidiary Company under section 212 read with General Circular No 2/2011 dated 8th February, 2011 For the year ended on 31st December, 2013**

Name of the Subsidiary :	POFRAN SALES & AGENCY LIMITED
	₹ in Million
a Share Capital	0.50
b Reserves	63.07
c Total Assets	63.69
d Total Liabilities	0.12
e Details of investment (except in case of investment in the subsidiary)	NIL
f Turnover (Including other income of ₹ 5.25 Million)	19.18
g Profit before taxation	18.65
h Provision for taxation	6.05
i Profit after taxation	12.60
j Proposed Dividend	NIL









## Widening product basket

### Introduction of new "Ecoline Ball Valves" range



Two piece ball Valves flanged connection    Three piece ball Valves threaded connection    Three piece ball Valves flanged connection

### Technical details

Valve sizes from DN 15 to DN 200 mm. These valves will be manufactured in Carbon Steel and Stainless Steel materials. Designed to BS EN ISO 17292 standard, valves can sustain pressure & temperature up to 136 bar & 200 deg. C respectively.

## Efforts appraisal by Maharashtra Pollution Control Board

Sinnar Division has won 2nd prize in Large scale industries group the prestigious "Vasundhara Award 2013".



In order to conserve nature and energy following initiatives are taken by Sinnar division :

- Installation of Solar Panel for use of hot water in Canteen
- Installation of wind mill for power generation
- Replacement of Sodium vapour lamps (240 W) with LED lamps of 24 watts
- Rain water harvesting in the premises
- Tree plantation on a large scale
- Sprinkler system in the garden for conservation of water
- Effluent treatment plant & sewage treatment plant
- Conservation of natural resources like wood by using corrugated packing tubes
- Installation of BIO Gas Plant for organic waste treatment
- Installation of generator with Acoustic enclosure to reduce noise level

## Shareholders visit

6th September, 2013 - To Pimpri works and Chinchwad works



## Manufacturing capabilities



*In April 2013, hot water testing for the Shut Down Cooling Pumps RVR 200-480 was successfully completed for 100 hrs. at Chinchwad works.*



*Machining of a giant motor stool of RSR pumps at Chinchwad works.*



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