

BOARD'S REPORT

To
The Shareholders,

The Board of Directors have pleasure to submit the report and audited financial statements of the Company for the year ended 31st December, 2020.

FINANCIAL RESULTS AND DIVIDEND

Financial Results (Standalone):

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---------------------------------|---------------------------------|
| | | ₹ Million |
| Revenue from operations and Other Income | 12,404.14 | 13,180.39 |
| Profit before tax | 1,549.34 | 1,375.81 |
| Income tax expense | | |
| Current | 612.17 | 337.72 |
| Deferred tax | (36.21) | 59.84 |
| Total tax expense | 575.96 | 397.56 |
| Profit for the year | 973.38 | 978.25 |
| Other comprehensive income | (37.74) | (52.56) |
| Total comprehensive income | 935.64 | 925.69 |
| Appropriations: | | |
| Opening balance of retained earnings | 6,370.53 | 5,695.94 |
| Profit for the year | 973.38 | 978.25 |
| Dividend paid (including tax thereon) | (278.46) | (251.10) |
| Other comprehensive income recognised directly in retained earnings | (37.74) | (52.56) |
| Total retained earnings | 7,027.71 | 6,370.53 |
| EPS | 27.96 | 28.10 |

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

Dividend:

The Board of Directors propose a dividend of ₹ 8.5 per share of ₹ 10 each (85 %).

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

GENERAL REVIEW

Working:

The Financial year 2020 posed several challenges on account of adverse situations of COVID-19 pandemic. With the government of India announcing nation-wide lockdown towards the end of the first quarter of 2020 to contain the spread COVID-19 pandemic, the country witnessed complete shutdown of business and social activities. The Company's plants across locations were shut during the lockdown. The plants resumed the operations post-lockdown following the government protocols. The extensive focus on the development and implementation of workplace response plans to address COVID-19-related health and safety risks at each site ensured that our people felt safe and were informed about the necessary preventive measures.

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Despite such multi-pronged challenges, the Company could achieve relatively good performance during the year 2020. The Company could achieve higher profitability as compared to previous year due to reduction in fixed costs and overheads in the face of pandemic situations and due to excellent steps taken by management for cost cutting measures and to improve the performance of the Company in such situations by reducing overdue payments and execution of orders and improving productivity.

Export increased by ₹94 Million from ₹2,245 Million last year to ₹2,339 Million.

The Company continues with its efforts to maintain growth even during the continued pandemic situation and related challenges.

Credit Rating:

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

| Year | Amount (₹ in Million) | Rating |
|------|-----------------------|-------------------------------|
| 2020 | 25,000.00 | Long Term AA+, Short Term A1+ |
| 2019 | 25,000.00 | Long Term AA+, Short Term A1+ |
| 2018 | 12,000.00 | Long Term AA+, Short Term A1+ |

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

Fixed Deposits:

The Company has not accepted any deposits.

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

During the year, in accordance with section 125 of the Companies Act, 2013 ("the Act") an amount of ₹ 5,41,963 being unclaimed dividends up to the year 31st December, 2013, were transferred to the Investor Education and Protection Fund established by the Central Government.

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

Subsidiary and Associate:

The Company has 1 subsidiary, viz. Pofran Sales and Agency Limited and 1 associate, viz. KSB MIL Controls Limited as on 31st December, 2020.

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

The audited financial statements of Pofran Sales and Agency Limited for the year ended 31st March, 2020 have been placed on the website of the Company viz. www.ksbindia.co.in and are available for inspection at the registered office of the Company. The Company will also make



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available these documents electronically upon request by any member of the Company interested in obtaining the same.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Annexed to this report as Annexure II.

REPORT ON CORPORATE GOVERNANCE

Annexed to this Report alongwith certificate thereon as Annexure III.

BUSINESS RESPONSIBILITY REPORT

Annexed to this report as Annexure IV.

EXTRACT OF ANNUAL RETURN

Annexed to this report as Annexure V.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

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

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

RISK MANAGEMENT

The Company has laid down procedures and informed the Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of a properly defined framework. The Risk Management Committee monitors the risks and their mitigation actions.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

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

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

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

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

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, to redress complaints received regarding sexual harassment. The Company has in place a policy in line with the requirements of the said Act. During the year, one complaint with allegations of sexual harassment was received by the Company and the same is under investigation.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Dr. Stephan Bross retires by rotation and is eligible for reappointment.

At the 59th Annual General Meeting of the Company held on 8th May, 2019 the shareholders have approved re-appointment of Independent Director Mr. V.K. Viswanathan for a period of five consecutive years effective from 16th January, 2020.

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

The Board of Directors, on recommendation of the Nomination and Remuneration Committee, has proposed re-appointment of Mr. Rajeev Jain as Managing Director and Key Managerial Personnel of the Company for a term of 5 years effective from 1st July, 2021. The Board recommends this re-appointment for approval of the shareholders.

DECLARATIONS BY INDEPENDENT DIRECTORS

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

BOARD MEETINGS

During the year ended 31st December, 2020, four meetings of the Board were held.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

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

EVALUATION OF BOARD OF DIRECTORS

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

BOARD COMMITTEES

The Company has five Committees of Board, viz,

1. Audit Committee
2. Stakeholders' Relationship Committee
3. Nomination and Remuneration Committee
4. Corporate Social Responsibility Committee
5. Risk Management Committee



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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

PARTICULARS OF EMPLOYEES AND RELATED INFORMATION

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

The information regarding employee remuneration as required pursuant to Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, will be available electronically for inspection by members upto Thursday 29th April, 2021, being the date of the 61st AGM. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished electronically on such request.

STATUTORY AUDITORS

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

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

The Auditors' Report for the financial year 2020 does not contain any qualification, reservation, adverse remark or disclaimer except the updated comment about the incident of fraud as reported by the Company in previous Annual Report 2019.

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COST AUDITORS

Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Act, 2013, is required by the Company and accordingly such accounts and records are prepared and maintained. Pursuant to Section 148, the Board on the recommendation of the Audit Committee has re-appointed M/s Dhananjay V. Joshi and Associates, Cost Accountants, Pune as Cost Auditors to carry out the audit of Cost Accounts of the Company for the financial year 2021 at a remuneration as mentioned in the Notice convening the 61st Annual General Meeting and the same is recommended for your consideration and ratification. The Cost Audit Report for financial year 2019 which was due to be filed with the Ministry of Corporate Affairs before 29th June, 2020, was filed on 25th May, 2020 and it did not contain any qualification, reservation, adverse remark or disclaimer.

SECRETARIAL AUDITORS

Pursuant to provisions of Section 204 of the Act and Rules thereunder, the Secretarial Audit Report for financial year 2020 issued by Secretarial Auditors, M/s Nilesh Shah and Associates, Company Secretaries, Mumbai is annexed to this report as Annexure VII and it does not contain any qualification, reservation, adverse remark or disclaimer except the self explanatory comments. During the year, due to technical glitches faced on the Ministry of Corporate Affairs ("MCA") Portal, the Company could not upload and pay for the said eForm MGT-14. The form pertained to intimation of prescribed matters under Section 179 of the Act. The Company attempted several times for uploading and payment of the Form but each time technical issues were faced on the MCA portal. Due to such technical reasons and lockdown conditions the form remained un-uploaded for more than 300 days. The Company with the approval of Board of Directors is in the process of initiating to file for condonation of delay and make the compliance good.

SECRETARIAL STANDARDS

During the year 2020, the Company has complied with applicable Secretarial Standards issued by the Institute of the Company Secretaries of India.

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

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

ACKNOWLEDGEMENTS

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

On behalf of the Board of Directors
GAURAV SWARUP
Chairman

Mumbai, 25th February, 2021