

KSB PUMPS LIMITED
CODE OF CONDUCT
FOR
BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Preamble

All Directors and Senior Management must act within the bounds of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the company and its shareholders / stakeholders.

With a view to maintain the high standards that the company requires, the following rules / code of conduct should be observed in all activities of the board. The Company appoints the company secretary as a compliance officer for the purposes of the code, who will be available to directors and senior management to answer questions and to help them comply with the code.

1. Honesty & Integrity

All directors shall conduct their activities, on behalf of the Company and on their personal behalf, with honesty, integrity and fairness. All directors will act in good faith, responsibility, with due care, competence and diligence, without allowing their independent judgment to be subordinated. Directors will act in the best interests of the Company and fulfill the fiduciary obligations.

2. Conflict of Interest

Directors on the board of the Company shall not engage in any business, relationship or activity, which may be in conflict of interest of the Company or the group.

Conflicts can arise in many situations. It is not possible to cover every possible conflict situation and at times, it will not be easy to distinguish between proper and improper activity. Set forth, are some of the common circumstances that may lead to a conflict of interest, actual or potential -

- a) Directors should not engage in any activity / employment that interferes with the performance or responsibility to the company or is otherwise in conflict with or prejudicial to the company.
- b) Directors and their immediate families should not invest in a company, customer, supplier, developer or competitor and generally refrain from investments that compromise their responsibility to the company.
- c) Directors should avoid conducting company business with a relative or with a firm / company in which a relative / related party is associated in any significant role.

If such related party transaction is unavoidable, it must be fully disclosed to the board of the company.

3. Compliance

Directors are required to comply with all applicable laws, rules and regulations, both in letter and spirit. In order to assist the company in promoting lawful and ethical behaviour, directors must report any possible violation of law, rules, regulation or the code of conduct to the company secretary.

4. Other Directorships

The Company feels that serving on the boards of directors of other companies may raise substantial concerns about potential conflict of interest. And therefore, all directors must report / disclose such relationships to the Board on an annual basis. It is felt that service on the board of a direct competitor is not in the interest of the company.

5. Confidentiality of Information

Any information concerning the company's business, its customers, suppliers etc., which is not in public domain and to which the director has access or possesses such information, must be considered confidential and held in confidence, unless authorised to do so and when disclosure is required as a matter of law. No director shall provide any information either formally or informally, to the press or any other publicity media, unless specially authorised.

6. Insider Trading

Any director of the company shall not derive benefit or assist others to derive benefit by giving investment advice from the access to and possession of information about the company, not in public domain and therefore constitutes insider information. All directors will comply with insider trading guidelines as issued by SEBI, and code of conduct of the Company for Insider Trading.

7. Gifts & Donations

No director of the company shall receive or offer, directly or indirectly, any gifts, donations, remuneration, hospitality, illegal payments and comparable benefits which are intended (or perceived to be intended) to obtain business (or uncompetitive) favours or decisions for the conduct of business. Nominal gifts of commemorative nature, for special events may be accepted and reported to the Board.

8. Protection of Assets

Directors must protect the company's assets, including its employees and any information that he may be privy to due to the position held by him. The Company's assets as detailed above should not be used for personal purposes, unless approved by the Board.

9. Periodic Review

Once every year or upon revision of this code, every director must acknowledge and execute an understanding of the code and an agreement to comply. New directors will sign such a deed at the time when their directorship begins.



**WERNER SPIEGEL
MANAGING DIRECTOR**



**M. A. MEHTA
COMPLIANCE OFFICER**

Date: 25th November, 2005