

Quarterly Report (Un-Audited)

For the period ended March 31, 2019

KSB Pumps Company Limited



Contents

	Page
Company Information	2
Sales Offices	4
Directors' Review	5
Condensed Interim Statement of Financial Position	6
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to and Forming Part of the Condensed Interim Financial Information	11

Company Information

Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Sajid Mahmood Awan	
Dr. Matthias Beth	
Ayesha Aziz	
Hasan Aziz Bilgrami	
Shezada Mazhar	
Jamal Nasim	(Nominee NIT)

Company Secretary

Faisal Aman Khan

Management

Mohammad Masud Akhtar	Chief Executive Officer
Sajid Mahmood Awan	Finance, Administration
Syed Tariq Ali	Operations
Muhammad Imran Malik	Sales & Strategic Marketing
Mamoon Riaz	Special Initiatives
Faisal Aman Khan	Corporate Affairs & IR

Auditors

A.F. Ferguson & Co.	Chartered Accountants
---------------------	-----------------------

Legal Advisors

Mandviwala & Zafar

Bankers

Allied Bank Limited
BankIslami Pakistan Limited
Bank Alfalah Limited
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited

Audit Committee

Jamal Nasim	Chairman
Dr. Matthias Beth	Member
Shezada Mazhar	Member

Secretary Audit Committee

Saeed Hussain

HR & R Committee

Shezada Mazhar	Chairman
Mohammad Masud Akhtar	Member
Hasan Aziz Bilgrami	Member

Secretary HR & R Committee

Shahzad Saleem

Registered Office

16/2 Sir Aga Khan Road, Lahore - 54000.
Ph: (042) 36304173, 36370969
Fax: (042) 36368878, 36366192
Email: info@ksb.com.pk

Works

Hazara Road, Hassanabdal
Ph: (057) 2520236
Fax: (057) 2520237
Email: info@ksb.com.pk

Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, SMCHS
Shahra-e-Faisal, Karachi-74000
Tel: (021) 111-111-500
Fax: (021) 34326053

Sales Offices

Lahore

16/2 Sir Aga Khan Road Lahore.
Ph: (042) 111 572 786, 36304173
Fax: (042) 36366192, 36368878
Email: info@ksb.com.pk

Multan

Golden Heights, Nusrat Road, Multan.
Ph: (061) 111 572 786
Fax: (061) 4541784
Email: ksbmul@ksb.com.pk

Rawalpindi

309, A3 Peshawar Road, Westridge 1,
Opp. Valley Clinic, Rawalpindi.
Ph: (051) 111 572 786
Fax: (051) 5472612
Email: ksbrwp@ksb.com.pk

Karachi

307 & 308, 3rd Floor Parsa Tower, Block 6,
PECHS Shahrah-e-Faisal, Karachi
Ph: (021) 111 572 786 Fax: (021) 34388302
Email: ksbkhi@ksb.com.pk

Peshawar

3rd Floor, Mall Tower, 35 The Mall, Peshawar
Cell: 0300-5895289 Ph: 091-5285679
Fax: 091-5278919
Email: franchise.kpk@ksb.com.pk

KSB Partners

Sr.	Channel	City	Location	Status	Province	Partners	Contact#	Office Landline	Fax	Email
1	Dominar Engineers	Lahore	65-A Ferozpur Road, Link Samanabad Road, near LOS	KSB Partners	Punjab	Hammad Malik/ Syed Mehdi	0302-8744449/8	042-37500078	042-37500078	hammad.malik@de.com.pk
2	Industrial Development & Engineering Associates	Karachi	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	KSB Partners	Sindh	Saquib Khawaja	0300-8203077	021-35390481/2	021-35390483	saquib@idea.com.pk
3	Wali Muhammad & Co.	Quetta	Zonkiram Road near mellennium Mall	KSB Partners	Balochistan	Wali Muhammad	0300- 8387668	081-2829635	081-2829635	gulistanmachinery@yahoo.com
4	Pak Atlantis Pumps	Peshawar	3rd floor, Mall Tower, 35- The Mall, Peshawar Cantt	KSB Partners	KPK	Arbab Bilal Ahmad	0308-5053175/ 0345-5555939	091-5285679	091-5278919	pakatlantis@gmail.com
5	Pak Atlantis Pumps	Rawalpindi	309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi	KSB Partners	Punjab	Arbab Bilal Ahmad	0345-5555939	051-5491413	051- 5491237	pakatlantis@gmail.com
6	Modern Technology & Traders	Karachi	4th Floor, Building # 11-C/2, Lane-11 Bukhari Commercial DHA Phase-6, Karachi	KSB Partners	Sindh	Haji Iqbal Sheikh	0321-2038202/ 0333-7299905	021-35156121-4	021-35156125	qayoomshaikh3@gmail.com

Directors' Review

I am pleased to present the financial statements of KSB Pumps Company Limited for the 1st quarter ended March 31, 2019.

After achieving 5.8% GDP growth in FY 2018, economic outlook of Pakistan shows downward trend in FY 2019. GDP growth is expected to fall below 3%. Inflation has already exceeded 9% and overall rate is anticipated to remain around 10%. All major sectors have shown negative growth in the current fiscal year. Current account deficit has contracted mainly due to reduction in imports as a result of rupee devaluation, however, exports could not be significantly increased. Rupee devaluation combined with hike in interest rates and energy tariff has increased overall costs thus having negative impact on business activity. IMF deal is underway and once finalized would contribute towards further tightening of monetary and fiscal conditions. Law & order and security situation remained under control, however, political unrest in the country and tensions with neighbouring country pose threat to economic stability.

Under current challenging circumstances, KSB Pakistan has been able to achieve PKR 1 billion turnover in Q1-2019 with profit after tax of PKR 14 million. Earnings per share remained PKR 1.06.

Order intake of the company from public sector has been affected by drastic cut in Federal Government PSDP as well as in ADP of the Provincial Governments for FY2019. The trend is expected to continue at least in 1st half of year 2019 and business outlook from public sector remains bleak during this period. Business from corporate sector and international market continues to pour in. Some good opportunities from public sector are also in pipeline subject to timely release of funds. This may give boost to order intake of the company in 2nd half of the current year resulting in improvement in revenue as well as profit number for the year ending December 31, 2019. However, due to current economic / business circumstances, we are rather cautious in achieving our targets.

I would like to acknowledge the efforts made by the dedicated KSB team to achieve business results of the 1st quarter and wish them all the best for the remaining part of the year.



Mohammad Masud Akhtar
MD / Chief Executive Officer

April 22, 2019
Lahore, Pakistan

Condensed Interim Statement of Financial Position (Un-audited)

As at March 31, 2019

	Note	March 31, 2019 (Rupees in thousand)	December 31, 2018 (Rupees in thousand)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (2018: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital		132,000	132,000
Reserves	5	1,783,577	1,769,553
		1,915,577	1,901,553
NON CURRENT LIABILITIES			
Long term finances - secured	6	218,750	250,000
Employees' retirement and other benefits		97,538	100,853
Deferred taxation		82,930	82,930
		399,218	433,783
CURRENT LIABILITIES			
Current portion of long term finances - secured		125,000	125,000
Short term finances - secured		923,202	841,760
Trade and other payables		1,547,058	1,708,075
Contract Liability		5,743	20,164
Unclaimed dividend		8,884	8,957
Due to provident fund		4,282	4,168
Provisions for other liabilities and charges		90,225	78,210
		2,704,394	2,786,334
CONTINGENCIES AND COMMITMENTS			
	7	5,019,189	5,121,670

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.


 Chairman


 Chief Executive


 Chief Financial Officer

	Note	March 31, 2019 (Rupees in thousand)	December 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,227,768	1,237,973
Investment property		107	160
Intangible assets		2,127	2,452
Capital work in progress		39,273	29,212
Long term loans and deposits		74,418	74,313
		1,343,693	1,344,110
CURRENT ASSETS			
Stores, spares and loose tools		95,494	112,574
Stock in trade		894,824	955,486
Trade debts		1,333,722	1,319,210
Contract Asset		743,301	668,490
Advances, deposits, prepayments and other receivables		567,474	550,358
Cash and bank balances		40,681	171,442
		3,675,496	3,777,560
		5,019,189	5,121,670


Chairman


Chief Executive


Chief Financial Officer

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Un-audited)

For the 1st Quarter ended March 31, 2019

	March 31, 2019 (Rupees in thousand)	March 31, 2018
Sales	1,003,262	1,326,990
Cost of sales	(826,206)	(1,072,605)
Gross profit	177,056	254,385
Distribution and marketing expenses	(94,793)	(70,097)
Administration expenses	(60,978)	(66,342)
Other operating expenses	(1,151)	(19,150)
Other operating income	28,857	6,082
Profit / (Loss) from operations	48,991	104,878
Finance cost	(33,457)	(3,742)
Profit / (Loss) before taxation	15,534	101,136
Taxation	(1,510)	(26,392)
Profit / (Loss) for the period	14,024	74,744
Other comprehensive income/ (loss):		
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit plans - net of tax	-	-
Total comprehensive income for the year	14,024	74,744
Earnings / (Loss) per share - basic & diluted Rupees	1.06	5.66

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.


Chairman


Chief Executive


Chief Financial Officer

Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2019

		January to March	
	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
Cash flows from operating activities			
Cash generated from operations	9	(52,655)	(72,177)
Finance costs paid		(27,208)	(6,951)
Taxes paid		(53,207)	(51,799)
Employees' retirement and other benefits paid		(11,714)	(6,806)
Net (increase) / decrease in long term loans and deposits		(105)	(632)
Net cash (used in)/from operating activities		(144,889)	(138,365)
Cash flows from investing activities			
Fixed capital expenditure		(44,085)	(42,418)
Proceeds from sale of property, plant and equipment		8,094	-
Net cash used in investing activities		(35,991)	(42,418)
Cash flows from Financing activities			
Long term loan-secured		(31,250)	63,373
Dividend paid		(73)	(8)
Net cash used in financing activities		(31,323)	63,365
Net (decrease)/increase in cash and cash equivalents		(212,203)	(117,418)
Cash and cash equivalents at the beginning of the period		(670,318)	296,642
Cash and cash equivalents at the end of the period	10	(882,521)	179,224

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.


Chairman


Chief Executive


Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)

For the 1st Quarter ended March 31, 2019

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2018	132,000	1,348,600	390,769	1,871,369
Total comprehensive income/(loss) for the period	-	-	74,744	74,744
Balance as at March 31, 2018	132,000	1,348,600	465,513	1,946,113
Final dividend for the year ended December 31, 2017 Rs 12.02 per share	-	-	(158,664)	(158,664)
Transfer to general reserve	-	232,000	(232,000)	-
Total comprehensive income/(loss) for the period	-	-	114,104	114,104
Balance as at December 31, 2018	132,000	1,580,600	188,953	1,901,553
Total comprehensive income / (Loss) for the period	-	-	14,024	14,024
Balance as at March 31, 2019	132,000	1,580,600	202,977	1,915,577

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.


Chairman


Chief Executive


Chief Financial Officer

Notes to and Forming Part of the Condensed Interim Financial Information

For the 1st Quarter ended March 31, 2019 (Un-audited)

1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) 'The Company' was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The Company is a subsidiary of KSB SE & Co. KGaA and principally engaged in the manufacture and sale of industrial pumps, valves, castings and related parts and provision of after market services. The registered office of the Company is situated at KSB Building, 16/2 Sir Agha Khan road, Lahore. The factory of the Company is situated at Hazara Road, Hassanabdal. The Company also has regional offices located in Lahore, Rawalpindi, Karachi, Multan and Peshawar.

2. Basis of preparation

These financial statements have been prepared in accordance with provisions of the Companies Act, 2017 and approved accounting standards as applicable in Pakistan. These approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017. In case requirements differ, the provisions of or directives under the Companies Act, 2017 shall prevail.

3. Significant accounting policies

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2018.

4. Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2018.

5. Reserves

	March 31, 2019 (Rupees in thousand)	December 31, 2018
General reserve	1,580,600	1,580,600
Unappropriated profit	202,977	188,953
	<u>1,783,577</u>	<u>1,769,553</u>

6. Long Term Finance- Secured

During the year ended December 31, 2016, Diminishing Musharika with a cap of Rs 500 million was obtained from BankIslami for the purpose of expansion of foundry which was fully utilized. This carries mark-up at the rate of three month KIBOR plus 0.10% per annum payable quarterly. This finance is repayable through sixteen quarterly instalments with one year grace period and is secured by way of exclusive charge over specific plant and machinery (Diminishing Musharika assets) of the Company amounting to Rs 500 million.

7. Contingencies and commitments

7.1 Contingencies

The company has obtained bank guarantees of Rs. 1,004.84 million (December 2018: Rs 1,116.99 million) against the performance of various contracts.

7.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs. 71.18 million (December 2018: Rs. 135.54 million).

8. Property, plant and equipment

Opening net book value	- note 8.1	March 31, 2019 (Rupees in thousand)	December 31, 2018
Additions during the period		1,237,973	484,058
Deletions during the period		34,024	888,685
		(5,694)	(9,654)

Depreciation charged during the period

Closing net book value

8.1 Additions during the period

Buildings on freehold land	-	123,532
Plant and machinery	29,425	627,935
Tools, jigs and attachments	-	395
Patterns	-	9,162
Other equipments	4,599	77,351
Furniture and fixtures	-	399
Office machine & appliances	-	14,167
Vehicles	-	35,744
	34,024	888,685

9. Cash generated from operations

Profit before taxation	March 31, 2019 (Rupees in thousand)	March 31, 2018
	15,534	101,136
Adjustment of non-cash items:		
Depreciation on property, plant and equipment	38,535	20,871
Depreciation on Investment property	53	53
Depreciation on Intangible assets	325	269
Profit on sale of property, plant and equipment	(2,400)	-
Employees' retirement and other benefits	8,399	6,435
Provision for doubtful debts & receivables	13,669	(4,207)
Stock-in-trade written off	1,500	1,500
Finance cost	33,457	3,742
Exchange (gain)/loss	(18,175)	11,626
Profit before working capital changes	90,897	141,425

	March 31, 2019 (Rupees in thousand)	March 31, 2018 (Rupees in thousand)
Effect of cash flow due to working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	17,080	(11,743)
Stock-in-trade	59,162	67,397
Trade debts	(10,021)	(49,708)
Contract asset	(74,811)	55,330
Advances, deposits, prepayments and other receivables	34,116	(74,416)
Increase/(decrease) in current liabilities:		
Trade and other payables	(166,786)	(226,113)
Contract liability	(14,421)	6,830
Due to provident fund	114	7
Provisions for other liabilities and charges	12,015	18,814
	(143,552)	(213,602)
	(52,655)	(72,177)
10. Cash and cash equivalents		
Cash and bank balances	40,681	281,969
Short term running finances - secured	(923,202)	(102,745)
	(882,521)	179,224
11. Transactions with related party		
Purchase of goods and services	75,403	228,707
Sale of goods and services	171,979	73,474
Commission income	5,005	811
Commission expense	16,757	7,654
Royalty & Trademark	6,436	5,634
Expense charged in respect of retirement and other benefits	6,773	6,435
Key management personnel & executives compensation	99,515	90,468
	March 31, 2019 (Rupees in thousand)	December 31, 2018 (Rupees in thousand)
Period-end balances		
Receivable from related parties	256,314	275,239
Payable to related parties	223,771	260,940

12. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on April 22, 2019 by the Board of Directors of the company.


Chairman
Chief Executive
Chief Financial Officer

حصص داران کے لئے مجلسِ نظاماء کی رپورٹ

میں 31 مارچ 2019ء کو ختم ہونے والی پہلی سہ ماہی کے لئے KSB کمپنی لمیٹڈ کے مالیاتی کھاتے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

مالی سال 2018 میں 5.8% جی ڈی پی نمو حاصل کرنے کے بعد، مالی سال 2019 میں پاکستان کا اقتصادی مستقبل کمی کارخانہ ظاہر کر رہا ہے۔ جی ڈی پی نمو 3% تک نیچے گرنے کی توقع ہے۔ افراط زر پہلے ہی 9% سے تجاوز کر گئی ہے اور مجموعی شرح تقریباً 10% رہنے کی توقع ہے۔ موجودہ مالی سال میں تمام اہم شعبوں میں منفی نمو ظاہر کی ہے۔ کرنٹ اکاؤنٹ خسارہ روپے کی قدر میں کمی کے نتیجے برآمدات میں کمی کے سبب بنیادی طور پر بڑھ گیا ہے۔ تاہم، برآمدات نمایاں طور نہیں بڑھ سکیں ہیں۔ روپے کی قدر میں کمی کے نتیجے سود کی شرحوں اور بجلی کے نرخوں میں اضافہ کی بدولت مجموعی اخراجات بڑھ گئے ہیں جن کے کاروباری سرگرمی پر نفی اثرات مرتب ہوئے ہیں۔ آئی ایم ایف ڈیل جاری ہے اور حتمی ہو جانے پر مانیٹری اور مالی شرائط مزید سخت ہوں گی۔ امن و امان اور سیکورٹی کے حالات قابو میں رہے، تاہم ملک میں سیاسی بے سکونی اور ہمسایہ ملک کے ساتھ تناؤ اقتصادی استحکام کے لئے خطرات لاحق کرتا ہے۔

موجودہ مشکل صورت حال کے تحت، KSB پاکستان نے مالی سال 2019 کی پہلی سہ ماہی میں مجموعی سبز 1 بلین پاکستانی روپے اور معے ٹیکس کے بعد منافع 14 بلین پاکستانی روپے حاصل کیا۔ فی شیئر آمدنی 1.06 پاکستانی روپے رہی ہے۔

مالی سال 2019 کے لئے پبلک سیکٹر سے کمپنی کے آرڈر انٹیک فیڈرل گورنمنٹ PSDP میں اور صوبائی حکومتوں کی ADP میں Drastic Cut کی وجہ سے متاثر ہوئے ہیں۔ یہ رجحان کم از کم مالی سال کی پہلی ششماہی میں جاری رہنے اور اس مدت کے دوران پبلک سیکٹر سے کاروباری آؤٹ لک ساقط ہونے کی توقع ہے۔ کارپوریٹ سیکٹر اور بین الاقوامی مارکیٹ سے بھرپور بزنس مسلسل آ رہا ہے۔ پبلک سیکٹر سے چند اچھے مواقع بھی فنڈز کی بروقت واگزاری کے حوالہ سے پائپ لائن میں ہیں۔ 31 دسمبر 2019 کے لئے ریونیو میں بہتری اور منافع کی تعداد کے نتیجے میں موجودہ سال کی دوسری ششماہی میں کمپنی کے آرڈر انٹیک کو فروغ مل سکتا ہے۔ تاہم، موجودہ اقتصادی کاروباری حالات کے باعث، ہم اپنا ہدف حاصل کرنے میں خاص احتیاط ہیں۔

میں پہلی سہ ماہی کے کامیاب اختتام پر تمام KSB ٹیم کو مبارکباد دیتا ہوں اور سال کے باقی عرصہ میں ان کی بہتری کا خواہشمند ہوں۔

منجانب بورڈ



محمد مسعود اختر

مینیجنگ ڈائریکٹر / چیف ایگزیکٹو آفیسر

22 اپریل 2019ء

لاہور، پاکستان



BOOK POST
PRINTED MATTER

TO:



KSB Pumps Company Limited
Head Office: 16/2, Sir Aga Khan Road, Lahore
UAN: +92-42-111-572-786, Tel: +92-42-36304173-74
Fax: +92-42-36366192, 36368878
Email: info@ksb.com.pk • www.ksb.com.pk