

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road,
Karachi.

003 /24/ABA-36

May 17, 2024

Issuance of Right Shares

Dear Sir,

We hereby enclose the draft Offer Document of KSB Pumps Company Limited for your review and comments.

Furthermore, we would like to inform you that the Company does not intend to seek public comments on the draft Offer Document, as mentioned under Regulation 3 (2) (iv) of the Companies (Further Issue of Shares) Regulations, 2020.

Thanking you

Yours faithfully
for KSB PUMPS COMPANY LIMITED


FAISAL AMAN KHAN
Company Secretary

ADVICE FOR INVESTORS

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISK. THE INVESTORS ARE REQUIRED TO READ THE RIGHTS SHARE OFFER DOCUMENT (*HEREIN REFERRED TO AS 'OFFER DOCUMENT'*) AND RISK FACTORS CAREFULLY, ASSESS THEIR OWN FINANCIAL CONDITIONS AND RISK-TAKING ABILITY BEFORE MAKING THEIR INVESTMENT DECISIONS IN THIS OFFERING.

RIGHT ENTITLEMENT LETTER IS TRADABLE ON PSX, RISKS AND REWARDS ARISING OUT OF IT SHALL BE SOLE LIABILITY OF THE INVESTORS.

THIS DOCUMENT IS ISSUED FOR THE PURPOSE OF PROVIDING INFORMATION TO SHAREHOLDERS OF THE COMPANY AND TO THE PUBLIC IN GENERAL IN RELATION TO THE RIGHTS ISSUE OF PKR 1,947,000,000 CONSISTING OF 17,700,000 NEW ORDINARY SHARES BY KSB PUMPS COMPANY LIMITED. A COPY OF THIS DOCUMENT HAS BEEN REGISTERED WITH THE SECURITIES EXCHANGE.

THIS OFFER DOCUMENT IS VALID TILL [DD/MM/2024] (60 days from the last day of payment of subscription amount)



KSB PUMPS COMPANY LIMITED
Right Share - Offer Document

Date and place of incorporation: July 18, 1959, Lahore, **Incorporation number:** 0001024, **Head Office:** 16/2, Sir Aga Khan Road, Lahore, **Contact No:** +92-42-111-572-786, **Website:** <https://www.ksb.com/en-pk/>, **Contact Person:** Mr. Faisal Aman Khan, Phone: +92(42) 111-572-786, **Email:** faisal.aman@ksb.com.pk

Issue Size: The Issue consists of 17,700,000 Right Shares (i.e. approximately 134.0909% of existing paid-up capital of KSB Pumps Company Limited) having face value of PKR 10/- each at an offer price of PKR 110/- each (including a premium of PKR 100/- per share). The total amount to be raised through the right issue is PKR 1,947,000,000.

Date of Placing Offer Document on PSX for Public Comments:	N/A (Public comments are not being sought)
Date of Final Offer Letter:	[DD/MM/2024]
Date of Book Closure:	From [DD/MM/2024] to [DD/MM/2024]
Subscription Amount Payment Dates:	From [DD/MM/2024] to [DD/MM/2024]
Trading Dates for Letter of Rights:	From [DD/MM/2024] to [DD/MM/2024]

Details of the relevant contact persons:

	Name of the Person	Designation	Contact Number	Office Address	Email ID
Authorized Officer of the Issuer	Mr. Faisal Aman Khan	Company Secretary	+92(42) 111-572-786	16/2 Sir Agha Khan Road Lahore	faisal.aman@ksb.com.pk
Underwriters to the Issue					
Arif Habib Limited	Mr. Taha Siddiqui	Chief Financial Officer	+92 (21) 111-245-111	2/F, Arif Habib Centre, 23, M.T. Khan Road, Karachi	taha.siddiqui@arifhabibltd.com
Dawood Equities Limited	Mr. Abdul Aziz Habib	Chief Executive Officer	+92 (21) 32275200	17th Floor, Saima Trade Tower 'A', I.I. Chundrigar Road Karachi	aziz@dawoodequities.com
Bankers to the Issue					
Habib Metropolitan Bank Limited	Syed Mairaj Hassan	Team Lead Sales (South) Transaction Banking	+92 (21) 32644571	Spencer's Building, Transaction Banking, Mezzanine Floor, I.I. Chundrigar Road, Karachi	Mairaj.hassan@habibmetro.com

This Offer Document can be downloaded from www.ksb.com.pk and <https://www.psx.com.pk/>

Undertaking by the Chief Executive Officer and Chief Financial Officer

“WE, IMRAN GHANI, THE CHIEF EXECUTIVE OFFICER AND IMRAN AHMED, CHIEF FINANCIAL OFFICER OF KSB PUMPS COMPANY LIMITED CERTIFY THAT;

- (i) THE OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
- (ii) THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;
- (iii) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- (iv) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE OFFER DOCUMENT AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- (V) ALL REQUIREMENTS OF THE COMPANIES ACT, 2017, THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE CENTRAL DEPOSITORY COMPANY AND THAT OF PSX PERTAINING TO THE RIGHT ISSUE HAVE BEEN FULFILLED.”

For and on behalf of KSB PUMPS COMPANY LIMITED

IMRAN GHANI
Chief Executive Officer

IMRAN AHMED
Chief Financial Officer

Undertaking by the Company Secretary an officer of the Company authorized by the Board of directors of the company in this behalf

Dated: DD/MM/YYYY

I, THE COMPANY SECRETARY, AS AUTHORIZED BY THE BOARD OF DIRECTORS OF THE COMPANY HEREBY CONFIRM THAT:

- I. ALL MATERIAL INFORMATION AS REQUIRED UNDER THE COMPANIES ACT, 2017, THE SECURITIES ACT, 2015, COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE PAKISTAN STOCK EXCHANGE LIMITED HAS BEEN DISCLOSED IN THIS OFFER DOCUMENT AND THAT WHATEVER IS STATED IN OFFER DOCUMENT AND IN THE SUPPORTING DOCUMENTS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF AND THAT NOTHING HAS BEEN CONCEALED.
- II. WE UNDERTAKE THAT ALL MATERIAL INFORMATION, INCLUDING RISKS THAT WOULD ENABLE THE INVESTOR TO MAKE AN INFORMED DECISION, HAS BEEN DISCLOSED IN THE OFFER DOCUMENT.
- III. RIGHT ISSUE IS THE DISCRETION OF BOARD OF THE ISSUER AND IT NEITHER REQUIRE APPROVAL OF THE COMMISSION NOR THE SECURITIES EXCHANGE.
- IV. THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER, ON _____ (I.E. WITHIN 45 DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD).
- V. COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON _____, 2024
- VI. THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE SECURITIES EXCHANGE AND SECP COMMENTS.
- VII. THE BOARD HAS DISCLOSED ON PSX'S AND COMPANY'S WEBSITE, ALL THE COMMENTS RECEIVED ALONG WITH THE EXPLANATIONS AS TO HOW THEY ARE ADDRESSED.
- VIII. THE FINAL OFFER DOCUMENT WAS SUBMITTED TO THE COMISSION AND PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 20 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX & SECP).
- IX. THE STATUATORY AUDITOR M/s. _____ OF THE ISSUER SHALL SUBMIT HALF YEARLY REPORT TO THE ISSUER REGARDING UTILIZATION OF PROCEEDS IN THE MANNER REFERRED TO IN THE FINAL OFFER DOCUMENT. THE ISSUER WILL INCLUDE THE REPORT OF THE STATUATORY AUDITOR, ALONG WITH ITS COMMENTS THEREON, IF ANY, IN ITS HALF YEARLY AND ANNUAL FINANCIAL STATEMENTS.

For and on behalf of KSB PUMPS COMPANY LIMITED

Faisal Aman Khan
Company Secretary

DISCLAIMER:

- i. In line with Companies Act, 2017 and Companies (Further Issue of Shares) Regulations, 2020, this document does not require approval of the Securities Exchange /Pakistan Stock Exchange Limited and the Securities and Exchange Commission of Pakistan (SECP).
- ii. The Securities Exchange and the SECP disclaims:
 - a. Any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.
 - b. Any responsibility for the financial soundness of the Company and any of its schemes/projects stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Offer document.
 - c. Any responsibility with respect to quality of the issue.
- iii. It is clarified that information in this Offer Document should not be construed as advice on any particular matter by the SECP and the Securities Exchange and must not be treated as a substitute for specific advice.

GLOSSARY OF TECHNICAL TERMS

ACT	Securities Act, 2015
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
Companies Act	Companies Act, 2017
Commission / SECP	Securities and Exchange Commission of Pakistan
IAS	Investor Account Services
LoR	Letter of Rights
Mn	Million
KSBP	KSB Pumps Company Limited (the “ Company ” or “ KSBP ” or the “ Issuer ”)
NICOP	National Identity Card for Overseas Pakistani
PKR or Rs.	Pakistan Rupee(s)
PSX /Securities Exchange	Pakistan Stock Exchange Limited
USD	United States Dollar

DEFINITIONS

Application Money	The total amount of money payable by existing shareholder which is equivalent to the value of shares to be allotted.
Banker to the Issue	Habib Metropolitan Bank Ltd has been appointed, in this Right Issue, or any other bank, as the Banker to the Issue, with whom an account is opened and maintained by the Issuer for keeping the issue amount.
Book Closure Dates	The Book Closure shall commence from [DD/MM/2024] to [DD/MM/2024] (both days inclusive).
Company	KSB Pumps Company Limited (the “ Company ” or “ KSBP ” or the “ Issuer ”).
Commission	Securities and Exchange Commission of Pakistan (“ SECP ”).
Issue	Issue of 17,700,000 Right Shares representing approximately 134.0909% of total paid-up capital of the Company.
Issue Price	The price at which Right Shares of the Company are issued to the existing shareholders (PKR 110/- per share).
Ordinary Shares	Ordinary Shares of KSB Pumps Company Limited having face value of PKR 10/- each.
Regulations	Companies (Further Issue of Shares) Regulations, 2020 https://www.secp.gov.pk/document/the-companies-further-issue-of-shares-regulations-2020-updated-march-4-2024/?wpdmdl=51188&refresh=663b4dc3873b51715162563
Right Issue	Shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes.
Sponsor	A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly; A person who replaces the person referred to above; and A person or group of persons who has control of the issuing company whether directly or indirectly.

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1. SALIENT FEATURES OF THE RIGHT ISSUE

1.1. BRIEF TERMS OF THE RIGHT ISSUE

a)	Description of Issue	Issuance of Right Shares to existing shareholders
b)	Size of the proposed Issue	The Company shall issue 17,700,000 (Seventeen Million, Seven Hundred Thousand) ordinary shares, at a price of PKR 110/- (Pak Rupees One Hundred and Ten) per share, aggregating to PKR 1,947,000,000/- (Pak Rupees One Billion, Nine Hundred Forty-Seven Million).
c)	Face Value of the Share	PKR 10/-
d)	Basis of determination of price of the right issue	The Right Issue is being carried out at a premium. Considering the current market price of the Company, the premium charged over the par value is justified and is in line with market practice.
e)	Proportion of new issue to existing shares with any condition applicable thereto	Approximately 134.0909 right shares for every 100 ordinary shares held i.e. Approximately 134.0909% of the existing paid-up capital of the Company.
f)	Date of meeting of Board of Directors (BoD) wherein the right issue was approved	April 29, 2024
g)	Name of directors attending the Board Meeting	<ol style="list-style-type: none"> 1. Dr. Sven Baumgarten, Chairman 2. Mr. Imran Ghani, Chief Executive Officer 3. Mr. Dieter Antonius Pott, Non-Executive Director 4. Ms. Hassan Aziz Bilgrami, Non-Executive Director 5. Ms. Ayesha Aziz, Independent Director 6. Mr. Asif Malik, Independent Director 7. Mr. Shahid Mehmood, Independent Director 8. Mr. Asim Rafiq, Nominee NIT
h)	Brief purpose of utilization of right issue proceeds	The purpose of the Right Issue is to meet the Capital Requirement of the Company to effectively implement its business with a view to enhance the profitability of the Company. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholder return.
i)	Purpose of the Right Issue: Details of the main objects for raising funds through present right issue.	To manage our company's working capital requirements and save finance costs. In the country's current economic environment, where interest rates have increased significantly, funding the Company's working capital requirements largely through bank and financial institution through debt is not a feasible or prudent option. Consequently, the funds raised through equity to be utilized for working capital purposes is a more prudent business and strategic approach, which will reduce finance costs significantly. The same is expected to positively

		impact profitability, ultimately generating improved results for shareholders.
j)	Minimum level of subscription' (MLS)	None

1.2. PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS

Company intends to raise funds to meet growing working capital requirements of its business. The proceeds shall be utilized towards funding of the day-to-day working capital needs of the Company, thus ensuring smooth business operations by maintaining liquidity levels. This would enable the Company to have improved financial ratios and enhanced profitability which would collectively contribute to the maximization of shareholders' returns.

Given below is the break-up of utilization of right issue proceeds:

Purpose of the Issue	Proceeds Utilization (PKR)	% of Right Issue Proceeds
Working capital requirements	1,947,000,000	100%

The envisaged working capital requirements of KSB will be met through the proceeds of the Right Issue which is essential for a sustained business growth.

Activities that are classified as working capital

The major activities for the purposes of working capital shall include (but are not limited to) the following:

- To payoff of running finances loans and save finance costs
- To manage our payables
- To maintain optimum level of inventories

Basis of estimation of working capital requirement, along with relevant assumptions

The estimation of working capital requirements is based on a combination of historical and projected data such as the significant rise in input costs in the backdrop of economic slowdown, high interest rates, rising exchange rates that led to higher receivable cycle, increase in prices of raw material and stores/spares which increased the working capital requirements to support the smooth business operations of KSB.

Reasons for raising additional working capital, substantiating the same with relevant facts and figures

Working capital is being raised to sustain and grow the Company's business while maximizing shareholders' returns. Owing to current economic situation and slowdown in business activities including significant rise in input costs, overall operating cycle has been impacted in the FY 2023. The Company is not able to generate sufficient internal cash flows to meet its working capital requirements and is reliant on banks for its short-term needs. Given the unfavorable interest rate environment, funding the Company's working capital requirements largely through banks / financial institutions' debt is not a feasible option.

Therefore, in light of the above, utilizing equity raised funds for working capital purposes is a more prudent and strategic approach, which will reduce the dependency on short-term borrowings and consequently the finance cost. The Right Issue would help KSB to improve its liquidity and reduce finance cost consequently maximizing returns to the shareholders'. Further it will improve the capital structure of the Company.

Cash Conversion Cycle in Number of days for last three years

	2023	2022	2021
Cash Conversion Cycle (days)	129 ¹	162 ²	234 ³

1.3. FINANCIAL EFFECTS ARISING FROM RIGHT ISSUE

	Measurement Unit	Pre-Issue	Post Issue	Increase/ (decrease) in %
As at December 31, 2023				
Authorized Capital	PKR Mn	150	450	200%
Paid-up-Capital	PKR Mn	132	309	134%
Net Asset/ Breakup value per share ⁴	PKR	152.60	128.20	-16%
Gearing Ratio ⁵	%	N/A	N/A	N/A
Production Capacity	No. of Pump Produced/year	6,000	6,000	N/A
Market Share**	Percentage	38%	38%	N/A

Note: The numbers above are based on the Audited Financial Statements of the Company for the year ended December 31, 2023. ** Estimated

1.4. TOTAL EXPENSES TO THE ISSUE

PSX Fee (0.2% of increase in paid-up capital)	PKR 354,000
Bankers Commission	-
Advisory Fees	0.9%
Underwriting Commission	0.6%
Underwriter Take-up Commission	1.50%
Bankers to the Issue – Out of Pocket	PKR 50,000
CDC – Fresh Issue Fee	PKR 2,803,680
CDC – Annual Fees for Eligible Security (Listing Fee)	PKR 400,000
SECP Supervisory Fee (10% of fees paid to PSX)	PKR 35,400
Auditor Fee for Auditor Certificates	PKR 500,000
Other expenses (including printing costs, lawyers and consultation fees, etc.)	PKR 10,000,000

¹ The cash conversion cycle for 2023 is calculated using Inventory Days Plus Receivable Days Minus Payable Days.

² The cash conversion cycle for 2022 is calculated using Inventory Days plus Receivable Days minus Payable Days.

³ The cash conversion cycle for 2021 is calculated using Inventory Days plus Receivable Days minus Payable Days.

⁴ The Breakup value per share is calculated as follows: Total Equity divided by number of shares

⁵ The Gearing ratio cannot be calculated as the company does not have any long-term debt.

1.5. DETAILS OF UNDERWRITERS

Name of the Underwriter	Amount Underwritten in PKR	Associated Company/Associated Undertaking of the Issuer
Arif Habib Limited	[.]	No
Dawood Equities Limited	[.]	No

1.6. COMMITMENTS FROM SUBSTANTIAL SHAREHOLDERS/DIRECTORS

Name	Status	Number of Existing Shares	Number of Shares Committed to be subscribed ⁶	Amount Committed to be Subscribed in PKR	Shareholding % - pre issuance	Shareholding % - post issuance
M/S. KSB SE & Co. KGaA	Substantial Shareholder	7,772,975	10,422,853	1,146,513,830	58.89%	58.89%

1.7. FRACTIONAL SHARES

All fractional entitlements, if any, will be consolidated and unpaid letters of right in respect thereof shall be sold on the Pakistan Stock Exchange Limited, the net proceeds from which sale, once realized, shall be distributed / paid to the entitled shareholders in proportion to their respective entitlements as per the Regulations.

1.8. IMPORTANT DATES

KSB Pumps Company Limited Tentative Schedule for Issuance of Letter of Rights Book Closure: From [DD/MM/2024] to [DD/MM/2024] (both days inclusive)			
S.No	Procedure	Day	Date
a)	Date of credit of unpaid Rights into CDC in Book Entry Form	-	-
b)	Dispatch of Letter of Right (LOR) to physical shareholders	-	-
c)	Intimation to PSX Dispatch/Credit of Letter of Right (LOR) to physical shareholders	-	-

⁶ These may be subscribed through persons arranged by the said directors as permitted under the Regulations.

d)	Commencement of trading of unpaid Rights on the Pakistan Stock Exchange Limited	-	-
e)	Last date for splitting and deposit of Requests into CDS	-	-
f)	Last date of trading of Rights Letter	-	-
g)	Last date for acceptance and payment of shares in CDC and physical form - Last payment date	-	-
h)	Allotment of shares and credit of book entry of Shares into CDC	-	-
i)	Date of Dispatch of physical shares certificates	-	-

2. SUBSCRIPTION AMOUNT PAYMENT PROCEDURE

- a) Payment as indicated above should be made by cash or crossed cheque or demand draft or pay order made out to the credit of “[XXXXXXX]” through any of the authorized branches of above-mentioned banks on or before [DD/MM/2024] along with the Right Subscription Request duly filled in and signed by the subscriber(s).
- b) Right Subscription Request can be downloaded from _____
- c) In case of Non-Resident Pakistani / Foreign shareholder, the demand draft of equivalent amount in Pak Rupees should be sent to the Company Secretary, (KSB Pumps Company Limited) at the Registered Office of the Issuer along with Right Subscription Request (both copies) duly filled and signed by the subscriber(s) with certified copy of NICOP / Passport well before the last date of payment.
- d) All cheques and drafts must be drawn on a bank situated in the same city where Right Subscription Request is deposited. Cheque is subject to realization.
- e) The Bankers to the Issue will not accept Right Subscription Request delivered by post which may reach after the closure of business on [DD/MM/2024], unless evidence is available that these have been posted before the last date of payment.
- f) Payment of the amount indicated above to the Issuer’s Banker to the Issue on or before [DD/MM/2024] shall be treated as acceptance of the Right offer.
- g) After payment has been received by the Company’s Banker to the Issue, the Right Securities will be credited into respective CDS Accounts within 14 business days from the last payment date. Paid Right Subscription Request will not be traded or transferred.
- h) **Online Payment option for Investor Account Services (IAS) Account Holders/Sub Account Holders:** CDC has introduced online payment facility through 1link for Rights Subscription. The investor account holders can now make online payment for their respective rights subscribed against 1Bill payment ID printed on the top right of the subscription request (generated by CDS) through all the available online banking channels of 1Links member banks (such as internet banking, Automated Teller Machine (ATM) and Mobile banking).

3. PROFILES OF THE BOARD OF DIRECTORS OF THE COMPANY AND SPONSORS

3.1. PROFILE OF THE BOARD OF DIRECTORS OF THE COMPANY

BOARD OF DIRECTORS	DESIGNATION	LAST DATE OF APPOINTMENT
Dr. Sven Baumgarten	Chairman	25/04/2023
Mr. Imran Ghani	Chief Executive Officer	25/04/2023
Mr. Dieter Antonius Pott	Non-Executive Director	25/04/2023
Mr. Hassan Aziz Bilgrami	Non-Executive Director	25/04/2023
Ms. Ayesha Aziz	Independent Director	25/04/2023
Mr. Asif Malik	Independent Director	25/04/2023
Mr. Shahid Mehmood	Independent Director	25/04/2023
Mr. Asim Rafiq	Nominee NIT	25/04/2023

Dr. Sven Baumgarten **Chairman**

Dr. Sven Baumgarten joined KSB Aktiengesellschaft (now KSB SE & Co. KGaA) in 1997 and started his career in the R&D division for Engineered Pumps in Frankenthal / Germany. After various management positions in the Global Project Business organization of KSB (Vice President Sales Energy & Desalination, 2010 - 2015), Dr. Baumgarten became Managing Director of KSB Pumps and Valves (Pty) Ltd. in South Africa as well as Vice President Sub-Saharan Africa from 2015 to 2019. Since 2019 he is MD of KSB Middle East FZE in UAE and also in charge of the entire KSB Region Middle East, Africa & Russia as Regional Executive Officer.

Mr. Imran Ghani **Chief Executive Officer**

Mr. Imran Ghani holds the office of the Managing Director & CEO of KSB Pumps Company Limited. He obtained his Master's Degree in Mechanical Engineering from University of Engineering & Technology, Lahore, Pakistan and did his MBA from IBA – University of the Punjab, Lahore, Pakistan. His wide, diversified and extensive professional experience is spread over a period of above 29 years where he has performed at different key positions in multicultural environments throughout the course of his career. Mr. Ghani has an exhaustive experience related to Sales, After Sales and Engineering with a special emphasis on extremely large mechanical systems. He has attended a number of leadership & management courses, workshops and seminars in Pakistan as well as abroad, including a certification from Ken Blanchard which makes him a Certified Trainer of Situational Leadership. Mr. Ghani has very steadily progressed in multiple challenging roles in various global manufacturing companies where he has successfully leveraged strategy building abilities and effectively executed methods to achieve sales and profitability targets in the related markets. In his preceding assignment, he was Managing Director for Pakistan & Afghanistan, and Regional Business Manager for Middle East & Africa Region. His accomplishments & top performing business leadership showcased results in market development, business turnarounds and developing future leaders in Asia and the Middle East. Mr. Ghani is also serving on the Board of Directors of German Pakistan Chamber of Commerce & Industry (GPCCI) and holds the position of Senior Vice President.

Mr. Dieter Antonius Pott
Director

Mr. Dieter Antonius Pott is a member of Board of Directors of KSB Pakistan and also a member of its Audit Committee. After serving various senior positions of Finance & Accounting in different organizations, he joined KSB SE & Co. KGaA, Germany, in 2017 as Global Executive Officer Finance/Accounting.

Mr. Hassan Aziz Bilgrami
Director

Mr. Hasan A. Bilgrami is Chief Executive Officer of BioMasdar (Pakistan) Limited, a biotechnology startup that focuses on processing of natural products for applications in food, pharmaceuticals and cosmetic industries. Earlier in his career he worked as founding President & CEO of BankIslami Pakistan Limited. He has also been the President of Institute of Cost & Management Accountants between 2009-2011. He is also a member of the Board of Mehran Sugar Mills, Education Committee of Institute of Bankers in Pakistan & Quality Assurance Board of Institute of Chartered Accountants of Pakistan. Mr. Bilgrami is a commerce graduate of Karachi University as well as Fellow member of Institute of Cost & Management Accountants of Pakistan and CPA Australia.

Ms. Ayesha Aziz
Director

Ms. Aziz has a 28 years of financial sector experience in Project and Structured Finance, Debt Capital Markets, Asset Management and Private Equity. She has strong relationship with market participants and facilitators and a demonstrated understanding of regulations and market dynamics.

Mr. Asif Malik
Director

A mechanical engineer with advance management studies, and having over 30 years of professional journey spans a diverse spectrum of fields, including manufacturing, sales, marketing, sustainability, human resources, and business management. His career has involved intricate petrochemical facilities, complex trading and distribution networks, and diverse organizations such as Engro Chemicals, ICI/AkzoNobel, Midas Safety Inc., and US Apparel & Textiles. Mr. Malik is an alumnus of the INSEAD Business School and is privileged to have participated in the Technical Development Program at the prestigious Oxford University. He possesses an unwavering passion for driving positive change, business transformation, and combining profit with purpose and takes pride in championing diversity and inclusion, firmly believing that diverse and empowered teams drive innovation and ultimately leading to business success.

Mr. Shahid Mehmood **Director**

Mr. Shahid Mahmood has worked at senior levels in heavy process industry and power plants. He is a Mechanical and Marine Engineer and holds the title of 'Professional Engineer' with Pakistan Engineering Council. In the recent past he has been working as an independent consultant for Power Projects, Heavy Process Plants, Operations & Maintenance, Team Development, Project Development, and is acting as a Technical Expert for Arbitration at International Courts of Arbitration. He also holds an MBA from Heriot Watt University(UK) and a PGD in Management Sciences from University of York (UK). At present he is Managing Director & CEO of GENCO Holding Company Limited since March 2023.

Mr. Asim Rafiq **Director**

Mr. Asim Rafiq is a Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP). He has over 25 years of diversified experience in accounting & audits, strategy and financial planning, taxation, software/ERP development and implementation, corporate affairs & Regulators' dealings in leading private and public sector organizations. He has also been a Director (Independent/Nominee) in diversified listed companies for over a decade. He completed his Chartered Accountancy from ICAP with training from A F Ferguson & Co. Chartered Accountants (PwC Pakistan); certification in International Financial Reporting Standards (IFRS) from the Institute of Chartered Accountants in England & Wales and certification in Internal Audit from the Institute of Internal Auditors, USA. He has also attended various national and international seminars & conferences. Also, he is a Certified Director from ICAP.

3.2 DIRECTORS DIRECTORSHIP IN OTHER COMPANIES

S. No.	Name	Designation	Directorship in Other Companies
1	Dr. Sven Baumgarten	Chairman	NIL
2	Mr. Imran Ghani	Chief Executive Officer	NIL
3	Mr. Dieter Antonius Pott	Non-Executive Director	NIL
4	Mr. Hassan Aziz Bilgrami	Non-Executive Director	2
5	Ms. Ayesha Aziz	Independent Director	5
6	Mr. Asif Malik	Independent Director	NIL
7	Mr. Shahid Mehmood	Independent Director	6
8	Mr. Asim Rafiq	Nominee NIT	4

3.3 PROFILE OF THE SPONSORS

KSB SE & Co. KGaA

KSB SE & Co. KGaA is a German multinational manufacturer of pumps, valves with headquarters in Frankenthal (Pfalz), Germany. The KSB Group has manufacturing plants, sales and marketing organizations, and service operations worldwide. KSB SE & Co. The company's first Asian-Pacific subsidiary was set up in Pakistan in 1953.

KSB SE & Co. KGaA Germany holds **58.89%** shares in KSB Pumps Company Limited.

4 DETAILS OF THE ISSUER

4.1 FINANCIAL HIGHLIGHTS OF THE ISSUER FOR THE LAST THREE YEARS

	FY2023	FY2022	FY2021
	<i>Amounts in PKR Million</i>		
Name of the Statutory Auditor	A.F. Ferguson & Company, Chartered Accountant		
Revenue / Sales	5,755	4,965	4,334
Gross Profit	1,174	775	594
Profit before interest and tax	384	328	140
Profit after tax	0.843	43.342	27.290
Net profit	0.843	43.342	27.290
Accumulated profit	3.272	36.562	26.468
Total Assets	6,248	5,743	5,878
Total Liabilities	4,233	3,732	3,891
Net equity	2,014	2,012	1,987
Break-up value per share (PKR) ⁷	152.60	152.40	150.50
Earnings per share (PKR) ⁸	0.06	3.28	2.07
Cash Dividend (%)	0%	0%	8.5%
Bonus Issue (%)	0%	0%	0%

4.2 FINANCIAL HIGHLIGHTS OF PRECEDING ONE YEAR OF CONSOLIDATED FINANCIAL STATEMENTS

Not Applicable

4.3 DETAILS OF ISSUE OF CAPITAL IN PREVIOUS FIVE YEARS

Not Applicable

⁷ The Breakup value per share is calculated as follows: Total Equity divided by number of shares. Figures for FY2022 and FY2021 are restated, based on weighted average number of ordinary shares in issue

⁸ Figures for FY2022 and FY2021 are restated, based on weighted average number of ordinary shares in issue

4.4 AVERAGE MARKET PRICE OF THE SHARE OF THE ISSUER DURING THE LAST SIX MONTHS

Average market price of the share of KSB Pumps Company Limited during the last six months (from November 07, 2023 – May 06, 2024) is PKR XXX per share.

4.5 SHARE CAPITAL AND RELATED MATTERS

Pattern of Shareholding of the Issuer:

Categories of shareholders	Shareholders	No. of Shares Held	% holding
<i>Directors, Chief Executive Officer and their spouse(s) and minor children</i>			
NIL	-	-	-
<i>Associated Companies, undertakings and related parties</i>			
M/S. KSB SE & Co. KGaA	1	7,772,975	58.89%
Sub total	1	7,772,975	58.89%
NIT and ICP	1	1,087,559	8.24%
Banks, DFIs, non-banking Financial Institutions	3	551,535	4.18%
Insurance Companies	1	256,273	1.94%
Modarabas and Mutual Funds	2	55,700	0.42%
<i>General Public</i>			
A) Local	1,036	3,116,654	23.61%
B) Foreign	7	18,200	0.14%
Others	17	341,104	2.58%
Total	1,068	13,200,000	100.00%

Shares held by Directors, Sponsors and Substantial Shareholders of the Issuer (both Existing and Post Right Issue):

Shares held by	Existing Shareholding	% share holding	Post Right Shareholding	% share holding
Substantial Shareholders	<i>Shares held</i>	%	<i>Shares held</i>	%
M/S. KSB SE & Co. KGaA	7,772,975	58.89%	18,195,828	58.89%

Details and shareholding of holding company:

KSB SE & Co. KGaA is a German multinational manufacturer of pumps, valves with headquarters in Frankenthal (Pfalz), Germany. The KSB Group has manufacturing plants, sales and marketing organizations, and service operations worldwide. KSB SE & Co. The company's first Asian-Pacific subsidiary was set up in Pakistan in 1953.

KSB SE & Co. KGaA Germany holds **58.89%** shares in KSB Pumps Company Limited.

5. RISK FACTORS

5.1 RISK ASSOCIATED WITH THE RIGHT ISSUE

Undersubscription Risk

There is a risk that the right issue may get undersubscribed due to lack of interest from shareholders of the Company. The Right Issue of the Company is being carried out at a price which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. The substantial shareholder and directors of the Company have confirmed that they shall subscribe to (or arrange the subscription of) their respective right entitlements, while the balance portion of the Right Issue will be underwritten in accordance with the applicable laws.

5.2 RISK ASSOCIATED WITH ISSUER

Internal Risk Factors

Operational Risk

Operational risk encapsulates the uncertainties and potential hazards that a business encounters while carrying out its daily operations, particularly concerning plant operation. It may stem from internal procedural breakdowns, personnel issues, or system failures.

Factors such as a high turnover rate among skilled staff, disruptions in the company's supply chain, or inadequate planning can significantly contribute to operational risk.

To mitigate operational risk, the company is proactively implementing measures such as staff retention initiatives, which include training programs and competitive benefits, to address the challenges associated with high turnover rates. Additionally, the company is adopting a diversified approach to supply chain planning and implementing robust strategies to counter disruptions, ensuring continuity and stability in its operations.

Procurement Risk

Being a prominent player in the Pump & Valves sector of our country, we recognize the imperative to understand the inherent procurement risks that come with our business operations. Given that a significant portion of our procurements relies on imports, we are subject to various variables such as exchange rate fluctuations, duties structure, and import regulations. Currency exchange rate volatility can directly affect the costs of raw materials, thus impacting our bottom line.

In our unwavering commitment to transparency, we acknowledge and actively mitigate these risks through proactive procurement strategies, supplier diversification efforts, and vigilant monitoring of market dynamics. By staying attuned to these factors and implementing effective risk management measures, we ensure the resilience and stability of our procurement processes, thereby safeguarding our operations and delivering value to our stakeholders.

Credit Risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation. Credit risk arises from deposits with banks and other receivables. Credit risk of the Company

arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining financial availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cashflow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to consider the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring statement of financial position liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

Pending Litigation

Details of all material legal proceeding are mentioned under Section 6 of the Offer Document. The management of the Company is confident of a favourable outcome of these proceeding.

Risk of Non-compliance with Regulations of SECP and PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Company may be placed on Defaulter Segment of PSX which may potentially hamper trading in the Company's shares leading up to potential suspension in trading of its shares as well as delisting.

To mitigate the risk of non-compliance with SECP and PSX regulations, the Company has engaged legal counsel and financial advisors for ongoing guidance, continuously monitoring regulatory changes and maintaining open communication with regulatory bodies. The aim of such measures is to ensure adherence to regulatory requirements in timely manner.

External Risk Factors

Business Risk

Business risk is exposure of the Company to factors which could lower its profits or even impact its going concern status. Some of these factors include:

- Increase in the prices of raw material, & pump parts.
- Volatility of exchange rates
- Increasing energy costs

- Imposition and increase in rates of custom duties, & regulatory duties on import of products related to Pump manufacturing
- Increase in transportation costs due to fuel prices and axle load conditions
- Decrease in customer demand due to economic slowdown, rising Inflation, etc.

Market Risk

Market risk encompasses currency risk, other price risk, and interest rate risk. Currency risk pertains to fluctuations in foreign exchange rates impacting the fair value or future cash flows of financial instruments. Given the Company's international operations, it faces exposure to currency risk, particularly concerning the US dollar and the Euro. This risk arises from anticipated commercial transactions and existing assets and liabilities denominated in foreign currencies.

Other price risk involves the potential fluctuation of financial instrument values or future cash flows due to market price changes, excluding those stemming from interest rate or currency variations. While the Company does not face equity price risk due to the absence of investments in equity securities, its diverse supplier portfolio shields it from commodity price risk.

Interest rate risk pertains to fluctuations in market interest rates affecting the fair value or future cash flows of financial instruments. Although the Company lacks significant long-term interest-bearing assets, it is exposed to interest rate risk through both long-term and short-term borrowings. Notably, borrowings acquired at variable rates expose the Company to cash flow fluctuations associated with interest rate variations

Interest Rate Risk

Interest rate risk poses a significant concern, potentially affecting the value of financial instruments due to fluctuations in market interest rates. Notably, the Company's borrowing arrangements are subject to variable interest rates, thereby exposing it to this risk. Elevated interest rates can escalate borrowing expenses, amplifying the cost of financing operations for the Company. Consequently, this may trigger a downturn in business expenditure, hinder economic expansion, and erode profitability. Moreover, heightened borrowing costs can deter new business ventures, impeding investment activities as the expense of financing fresh projects escalates.

Foreign Exchange Risk

Foreign currency risk pertains to the potential fluctuation in the fair value or future cash flows of a financial instrument due to changes in foreign exchange rates. The Company's exposure to this risk predominantly stems from anticipated economic transactions or outstanding receivables and payables denominated in foreign currencies. Particularly, the Company faces foreign currency risk primarily concerning the USD and EUR. Mitigation of this risk involves vigilant monitoring of exchange rates and adjustments to net exposure. Currently, the Company is exposed to foreign currency risk, notably through Letters of Credit (L/Cs) utilized for the import of raw materials and spares.

Natural Disaster Risk

Destruction of manufactured facility due to natural disaster. The Company has comprehensive insurance cover in case of any catastrophic event. Further, the Company has taken into account every possible aspect of safety measures during construction and erection of building and plant. Company has well established disaster recovery plan and data backup facility to cope-up uncertain events. The Company has adequate firefighting arrangements at the factory premises.

Profitability

The Company's after-tax profit for FY 2023 amounted to Rs. 843 thousand, compared to Rs. 43 million in FY 2022. This decrease was primarily attributed to sharp price pressures, supply disruptions and higher interest rates. Going forward, company expected to accelerate its sales growth momentum and operating cashflows ably supported by additional working capital injection. Moreover, expectation of lower interest rates going forward shall supplement the bottom line as well.

NOTE: IT IS STATED THAT TO THE BEST OF OUR KNOWLEDGE AND BELIEF, ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

6. LEGAL PROCEEDINGS:

6.1 OUTSTANDING LEGAL PROCEEDINGS OF THE COMPANY

These are routine litigations incidental to the business operations, to which the Company is a party that may have a material impact on the Company. Moreover, these litigation matters have already been disclosed in the audited financial statements for the year ended December 31, 2023 and may be referred to for further details.

S. No.	<u>Audited Financial Statement FY 2023 Note #</u>	<u>Case No.</u>	<u>Case Title</u>	<u>Institution</u>	<u>Date Issuing Authority</u>	<u>Tax Period</u>	<u>Order Amount / Financial Impact (PKR/ Million)</u>	<u>Current Status</u>	<u>Comments of Management/ Legal Advisor</u>
1	13.1.2	N/A	N/A	Federal Board Of Revenue (IRS)	14-May-19	2017	35.6	DCIR raised demand 35.6 million against order 161 and we filled appeal before CIR(A) in which all demand deleted.	The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these Financial statements.
2	13.1.3	N/A	N/A	Federal Board Of Revenue (IRS)	13-Aug-21	2015	13.9	DCIR raised demand Rs: 13.9 Mio against order 161/205. We filled appeal before CIR(A) in which CIR partly granted relief and remand back Ground No.9 BTL payments. We submitted supporting documents before DCIR against remand back order and DCIR deleted demand and issued order in our favor.	The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these Financial statements.

		N/A	N/A	Federal Board Of Revenue (IRS)	27-Nov-20	2016	1.8	DCIR raised demand 3.1 million against order 161 and we filled appeal before CIR(A) in which net demand Rs.1.8 million is payable.	The management and the taxation expert of the Company believes that there is meritorious ground available to defend the foregoing demand. Consequently, no provision has been recorded in these Financial statements.
3	13.1.4	N/A	N/A	Federal Board Of Revenue (IRS)	13-Aug-21	2015	352.8	ADCIR raised demand 352,804,494 against order 122(5A) and we filled appeal before CIR(A) in which all demand deleted and FBR filed appeal before ATIR.	The management and the taxation expert of the Company believes that there is meritorious ground available to defend the foregoing demand. Consequently, no provision has been recorded in these financial statements.
4	13.1.5	N/A	N/A	Federal Board Of Revenue (IRS)	15-Apr-22	2018	69.18	DCIR raised demand 69 million during WH audit U/S 161 and we filed appeal before CIR(A) and he remanded back to DCIR. Case is pending before DCIR.	The management and the taxation expert of the Company believes that there is meritorious ground available to defend the foregoing demand. Consequently, no provision has been recorded in these financial statements.

6.2 Any outstanding legal proceeding other than the normal course of business involving the issuer, its sponsors, substantial shareholders, directors and associated companies, over which the Issuer has control, that could have material impact on the issuer.

None

6.3 Action taken by the securities exchange against the issuer or associated listed companies of the issuer during the last three years due to noncompliance of its regulations.

SECP imposed penalty amounting to Rupees 25,000/- on 22.02.2023 due to non-compliance of section 166 of the Companies Act 2017. All rectification measures were taken by the company immediately.

7. SIGNATORIES TO THE OFFER DOCUMENT

Mr. Imran Ghani
Chief Executive Officer

Mr. Shahid Mehmood
Director

Dated: DD/MM/YYYY