

Half Yearly Report (Un-Audited)

For the Period ended June 30, 2020
KSB Pumps Company Limited



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Company Information

Board of Directors

Dr. Sven Baumgarten
 Mohammad Masud Akhtar
 Sajid Mahmood Awan
 Dieter Antonius Pott
 Ayesha Aziz
 Hasan Aziz Bilgrami
 Shezada Mazhar
 Jamal Nasim

Chairman
 Managing Director / CEO

(Nominee NIT)

Company Secretary

Faisal Aman Khan

Management

Mohammad Masud Akhtar
 Sajid Mahmood Awan
 Syed Tariq Ali
 Muhammad Imran Malik
 Faisal Aman Khan

Managing Director / CEO
 Finance, I.T & Administration
 Operations
 Sales & Strategic Marketing
 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
 Dieter Antonius Pott
 Shezada Mazhar

Chairman
 Member
 Member

Secretary Audit Committee

Saeed Hussain

HR & R Committee

Shezada Mazhar
 Mohammad Masud Akhtar
 Hasan Aziz Bilgrami

Chairman
 Member
 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

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 Fax: (057) 2520237
 Email: info@ksb.com.pk

Share Registrar

CDC Share Registrar Services Limited
 CDC House, 99-B, Block B, SMCHS
 Shahra-e-Faisal, Karachi-74000
 Tel: (021) 111-111-500
 Fax: (021) 34326053

Sales Offices

Lahore

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Ph: (042) 111 572 786, 36304173
Fax: (042) 36366192, 36368878
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Multan

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Ph: (061) 111 572 786
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Rawalpindi

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Main Peshawar Road, Rawalpindi Cantt
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Email: info@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: info@ksb.com.pk

KSB Exclusive Partners

Sr.	Name	City	Location	Status	Province	Partners	Contact#	Office Landline	Fax	Email
1	Dominar Engineers	Lahore	65-A Ferozpur Road, Link Samanabad Road, near LOS	KSB Exclusive Partner	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 Exclusive Partner	Sindh	Saqib Khawaja	0300-8203077	021-35390481/2	021-35390483	saquib@idea.com.pk
3	Wali Muhammad & Co.	Quetta	Zonkiram Road near millennium Mall	KSB Exclusive Partner	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 Exclusive Partner	KPK	Atif Javed	0345-5555939	091-5285679	091-5278919	pakatlantis@gmail.com
5	B&I Engineering	Lahore	Office # 23, 1st Floor Al-Latif Centre, Main Boulevard, Gulberg	KSB Exclusive Partner	Punjab	Imran Yousaf / Arbab Bilal	0300-4056939	042-32801273	-	imran@biengr.com
6	Modern Technology & Traders	Karachi	4th Floor, Building # 11-C/2, Lane-11 Bukhari Commercial DHA Phase-6, Karachi	KSB Exclusive Partner	Sindh	Abdul Qayyum	0333-7299905 0311-1000953	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 half ended June 30, 2020.

World economy has witnessed unprecedented decline since novel coronavirus outbreak has not only damaged human lives but also paralyzed global economic activity. Pakistan economy, struggling with multiple issues, has also been severely disrupted and resultantly contracted in FY 2020. Government is facing dual challenge: to contain spread of virus and to mitigate socio-economic losses. Rupee devaluation and rising fuel prices have further adverse impact on imports. In order to combat the crisis and to provide liquidity support to businesses and households, various steps have been taken like relief package by government, and significant policy rate cut, refinance and other schemes by SBP. As COVID-19 is fading away, overall activity is expected to rebound but recovery would be gradual given the magnitude of losses. Law & order and security situation remained under control, however, downside risks like political unrest, tensions with neighbouring country, and FATF review continue to pose threat to the economic performance.

KSB Pakistan underwent slowdown in 1st half of year 2020. Company's operations remained suspended for a couple of weeks in compliance with lockdown directives by government. Later, under strict adherence to SOPs, some sections were partially opened in April, and by end of Q2 major operations were resumed. The company has posted a turnover of PKR 1.55 Billion with earnings before interest and tax of 38 million while earnings before tax remained negative 41 million. Despite very low activity in Q2-2020, the company has been able to sustain its operations through better collection and strict cost control measures.

On external front, activity in both public and private sectors had gone near to halt during lockdown period. Now while remarkable reduction in COVID cases have been observed and restrictions are being lifted, healthy business inflow from all major sectors is anticipated in remaining part of the year. Still, achievement of business targets for year 2020 depends on the pace of recovery.

I would like to thank all employees, for their dedication and commitment has been a source of strength to the company in difficult circumstances.



Mohammad Masud Akhtar
MD / Chief Executive Officer

19th August, 2020
Lahore, Pakistan



A.F.FERGUSON & CO.

Independent Auditors' Review Report

To the Members of KSB Pumps Company Limited
Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of KSB Pumps Company Limited as at June 30, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-month periods ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A.F.Ferguson & Co.
Chartered Accountants

Lahore

Date: August 19, 2020

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Condensed Interim Statement of Financial Position (Un-audited)

As at June 30, 2020

	Note	June 30, 2020 (Rupees in thousand)	December 31, 2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (2019: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital			
13,200,000 (2019: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General Reserves		1,805,600	1,729,600
Unappropriated profit		(55,480)	96,298
		1,882,120	1,957,898
NON CURRENT LIABILITIES			
Long term finances - secured	5	290,888	125,000
Employees' retirement and other benefits		95,926	90,691
Deferred liabilities		51,902	57,884
		438,716	273,575
CURRENT LIABILITIES			
Current portion of long term finances - secured		65,714	125,000
Short term finances - secured		1,051,045	1,086,457
Trade and other payables	6	1,460,542	1,402,721
Contract Liability		9,505	8,486
Unclaimed dividend		10,107	9,946
Due to provident fund		14,239	4,390
Provisions for other liabilities and charges		-	72,190
		2,611,152	2,709,190
CONTINGENCIES AND COMMITMENTS			
	7		
		4,931,988	4,940,663

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

	Note	June 30, 2020 (Rupees in thousand)	December 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,091,469	1,162,474
Investment property	9	-	-
Intangible assets		14,291	17,651
Capital work-in-progress		14,587	16,871
Long-term loans and deposits		68,844	69,256
		1,189,191	1,266,252
CURRENT ASSETS			
Stores, spares and loose tools		102,358	73,913
Stock-in-trade		898,766	794,015
Trade debts	10	1,367,947	1,305,533
Contract Asset		719,572	814,008
Advances, deposits, prepayments and other receivables		556,944	504,338
Cash and bank balances	12	97,210	182,604
		3,742,797	3,674,411
		<u>4,931,988</u>	<u>4,940,663</u>


Chief Executive


Chief Financial Officer


Director

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

For the three months and six months period ended June 30, 2020

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		----- (Un-audited) ----- (Rupees in thousands)			
Sales	13	690,256	853,749	1,549,201	1,857,011
Cost of sales	14	(563,563)	(677,879)	(1,272,723)	(1,502,653)
Gross profit		126,693	175,870	276,478	354,358
Distribution and marketing expenses		(70,561)	(70,351)	(156,539)	(166,576)
Administrative expenses	15	(56,409)	(55,247)	(118,512)	(116,225)
Other operating expenses		-	(3,283)	-	(4,434)
Other operating income		18,189	36,650	37,006	65,507
Profit from operations		17,912	83,639	38,433	132,630
Finance costs		(34,857)	(40,025)	(79,092)	(73,482)
(Loss) / profit before taxation		(16,945)	43,614	(40,659)	59,148
Taxation		(15,319)	(9,621)	(15,319)	(11,131)
(Loss) / profit after taxation		(32,264)	33,993	(55,978)	48,017
Other comprehensive income		-	-	-	-
Total comprehensive income		(32,264)	33,993	(55,978)	48,017
Earnings per share - basic & diluted Rupees		(2.44)	2.58	(4.24)	3.64

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

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

For the six months period ended June 30, 2020

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2019	132,000	1,580,600	188,953	1,901,553
Final dividend for the year ended December 31, 2018 at the rate of Rs 3 per share	-	-	(39,600)	(39,600)
Transfer to general reserve	-	149,000	(149,000)	-
Total comprehensive income for the period	-	-	48,017	48,017
Balance as at June 30, 2019	132,000	1,729,600	48,370	1,909,970
Total comprehensive income for the period	-	-	47,928	47,928
Balance as at December 31, 2019	132,000	1,729,600	96,298	1,957,898
Final dividend for the year ended December 31, 2019 Rs 1.50 per share	-	-	(19,800)	(19,800)
Transfer to general reserve	-	76,000	(76,000)	-
Total comprehensive income for the period	-	-	(55,978)	(55,978)
Balance as at June 30, 2020	<u>132,000</u>	<u>1,805,600</u>	<u>(55,480)</u>	<u>1,882,120</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Cash Flows (Un-audited)

For the six months period ended June 30, 2020

	Note	Six months ended	
		June 30, 2020 (Un-audited) (Rupees in thousand)	June 30, 2019 (Un-audited) (Rupees in thousand)
Cash flows from operating activities			
Cash generated from operations	11	265	30,961
Finance costs paid		(86,724)	(63,962)
Taxes paid		(39,469)	(70,379)
Employees' retirement and other benefits paid		(10,553)	(17,688)
Net decrease in long term loans and deposits		412	2,365
Net cash used in operating activities		(136,069)	(118,703)
Cash flows from investing activities			
Fixed capital expenditure		(9,598)	(48,912)
Proceeds from sale of property, plant and equipment		8,722	9,530
Net cash used in investing activities		(876)	(39,382)
Cash flows from Financing activities			
Long term loan-secured		106,602	(62,500)
Dividend paid		(19,639)	(36,177)
Net cash generated from / (used) in financing activities		86,963	(98,677)
Net decrease in cash and cash equivalents		(49,982)	(256,762)
Cash and cash equivalents at the beginning of the period		(903,853)	(670,318)
Cash and cash equivalents at the end of the period	12	(953,835)	(927,080)

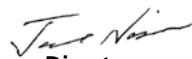
The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Notes to the Condensed Interim Financial Statements

For the three months and six months period ended June 30, 2020

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 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

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International accounting standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of (IAS) 34, the provisions and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information is un-audited and is being submitted to the members of the Company as required by Section 237 of the Companies Act, 2017 (the "Act").

The condensed interim financial statements do not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended December 31, 2019.

Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended December 31, 2019.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to published standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after January 01, 2020 but are considered not to be relevant.

2.2.2 Standards, amendments and interpretations to existing standards not yet effective and not applicable/ relevant to the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3. Summary of significant events and transactions

The pandemic COVID-19 that rapidly spread all across the world which has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19 including lockdown of businesses, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses. The Government of Pakistan and State Bank of Pakistan also announced several monetary and fiscal policy measures to mitigate the adverse economic impacts of the COVID-19.

Complying with the lockdown, the Company temporarily suspended its operations from March 23, 2020. In our Company's case, the lockdown was subsequently relaxed from April 06, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The lockdown caused disruptions in supply and distribution chain affecting the sales of the products and services of the Company. It is also expected that the outbreak may affect the demand of the Company's products, services and projects in future. In order to mitigate the effects of COVID-19, the management has adopted several measures comprising of product diversification, cost reductions, utilization of State Bank of Pakistan Refinance Scheme relating to Salaries and Wages and deferment of principal payment of long term loan relating to BankIslami Pakistan Limited for a period of one year for managing working capital requirements. The management has also assessed the accounting implications of these developments on these interim financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- the estimated cost to complete the project under IFRS 15 'Revenue from Contract with Customers';
- Provision for taxation in accordance with IAS 12, 'Income taxes'
- provisions and contingent liabilities under IAS 37, including onerous contracts; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these interim financial statements.

4. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average income tax rate for the full financial year.

	Note	June 30, 2020 (Un-audited) (Rupees in thousands)	December 31, 2019 (Audited)
5. Long term finances - secured			
BankIslami	5.1	218,750	250,000
Allied Bank Limited	5.2	137,852	-
Current portion of long term finances - secured		(65,714)	(125,000)
		<u>290,888</u>	<u>125,000</u>

5.1 During the year 2016, Diminishing Musharika with a limit of Rs 500.00 million was obtained from BankIslami for the purpose of expansion of foundry which has been completely utilized in June 30, 2018 (December 31, 2018: Rs 500.00 million). The finance is secured by way of exclusive charge over specific plant and machinery (Diminishing Musharika assets) of the Company amounting to Rs 500.00 million. This carries mark-up at the rate of three month KIBOR plus 0.10% per annum payable quarterly. Effective rate of interest ranged from 13.51% to 13.61% during the period ended June 30, 2020 (June 30: 2019: 9.49% to 11.82%). During the period ended June 30, 2020, the Company obtained approval from BankIslami Pakistan Limited pursuant to State Bank of Pakistan circular No 13 dated March 26, 2020 for one year deferment of principal amount. As at June 30, 2020, the Company has repaid an amount of Rs 281.25 million (December 31, 2019: Rs 250 million).

5.2 During the period, the Company availed the State Bank of Pakistan Refinance Scheme for payment of salaries and wages from Allied Bank Limited with a limit of Rs 144.00 million. The loan is repayable in 8 equal quarterly installments starting from January 31, 2021 with a grace period of six months. The finance is secured by exclusive equitable mortgage charge over land and bulidings situated at KSB Pumps Company Limited headoffice upto an amount of Rs 160.00 million and First Joint parri passu charge over current assets of the Company. The loan has been treated as term loan till period end since the State Bank of Pakistan approval has been obtained subsequent to period end due to which the facility carried rate of one month KIBOR plus 0.25%. The rate of interest charged during the period is 8.61% per annum (June 30, 2019: Nil). Subsequent to State Bank of Pakistan approval, the facility will carry interest rate of SBP rate plus 1% per annum (June 30: 2019: Nil).

6. Trade and other payables

Trade creditors include amount due to holding company of Rs 282.555 million (December 2019: Rs 155.61 million) and associated undertakings of Rs 69.243 million (December 2019: Rs. 72.3 million). Further, it includes contract liability amounting to Rs. 279.269 million (December 31, 2019: Rs 320.229 million) pertaining to advance received from customers relating to products.

7. Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies since the date of preceding published annual financial statements, except for the following

(i) The Company has obtained bank guarantees of Rs. 883.776 million (December 2019: Rs 853.94 million) against the performance of various contracts.

(ii) The Deputy Commissioner Inland Revenue issued sales tax assessment order amounting to Rs 58.044 million relating to Tax year 2015 on account of non-payment of sales tax on revenue recognized under input method in accordance IFRS 15 'Revenue from Contract with Customers'. Being aggrieved, the Company preferred an appeal before the Commission Inland Revenue Appeals. Subsequent to the period end, the Commissioner Inland Revenue Appeals decided the appeal in favor of the Company and remanded back the case to the Deputy Commissioner Inland Revenue for scurting of documents. The Company's management expects a favorable outcome due to which no provision has been recorded in these interim financial statements.

7.2 Commitments

The Company has commitment in respect of letter of credits other than for capital expenditure approximately Rs. 215.479 million (December 2019: Rs. 171.53 million).

	Note	June 30, 2020 (Un-audited) (Rupees in thousands)	December 31, 2019 (Audited)
8. Property, plant and equipment			
Opening book value		1,162,474	1,237,973
Add: Additions during the period	8.1	11,609	106,239
		1,174,083	1,344,212
Less: Disposal during the period (at book value)		(6,667)	(26,783)
Depreciation charged during the period		(75,947)	(154,955)
		(82,614)	(181,738)
		1,091,469	1,162,474
8.1 Additions			
Buildings on freehold land		-	25,690
Plant and machinery		5,896	45,044
Tools, jigs and attachments		-	2,153
Patterns		-	21,316
Other equipment		192	8,618
Furniture and fixtures		-	1,856
Office machines and appliances		5,521	27
Vehicles		-	1,535
		11,609	106,239

9. Investment property

This refers to the fully depreciated investment property. The fair value of investment property amounts to Rs 50.48 million (2019: Rs 62.63 million) as per valuation carried out by independent valuer as at December 31, 2019.

10. Trade debts

	June 30, 2020 (Un-audited) (Rupees in thousands)	December 31, 2019 (Audited)
Trade debts	1,515,631	1,435,023
Less: Provision for doubtful debts	(147,684)	(129,490)
	1,367,947	1,305,533

11. Cash generated from operations

	Six months ended	
	June 30, 2020 (Un-audited) (Rupees in thousands)	June 30, 2019
Profit before taxation	(40,659)	59,148
Adjustment of non-cash items:		
Depreciation on property, plant and equipment	75,947	77,677
Depreciation on investment property	-	107
Amortization on intangible assets	3,633	645
Profit on sale of property, plant and equipment	(2,055)	(2,083)
Employees' retirement and other benefits	15,788	16,798
Provision for doubtful debts and receivables	19,124	10,539
Provision for slow moving stock	3,000	3,000
Finance cost	79,092	73,482
Provisions no longer considered necessary and unclaimed balances written back	-	-
Exchange gain	(3,937)	(43,831)
Profit before working capital changes	149,933	195,482
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(28,445)	23,799
Stock-in-trade	(107,751)	19,456
Trade debts	(66,787)	126,064
Contract asset	94,436	(61,433)
Advances, deposits, prepayments and other receivables	(35,368)	40,014
	(143,915)	147,900
Increase / (decrease) in current liabilities:		
Trade and other payables	55,569	(257,516)
Contract liability	1,019	(15,407)
Due to provident fund	9,849	2,021
Provisions for other liabilities and charges	(72,190)	(41,519)
	(5,753)	(312,421)
	265	30,961

12. Cash and cash equivalents

Cash and cash equivalents comprise the following items:

	Six months ended	
	June 30, 2020	June 30, 2019
	(Un-audited)	
	(Rupees in thousands)	
Cash and bank balances	97,210	79,536
Short term finances	(1,051,045)	(1,006,616)
	<u>(953,835)</u>	<u>(927,080)</u>

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Un-audited)			
	(Rupees in thousands)			
13. Sales				
Local sales	577,286	816,381	1,359,326	1,751,061
Export Sales	200,081	157,193	392,256	334,436
	<u>777,367</u>	<u>973,574</u>	<u>1,751,582</u>	<u>2,085,497</u>
Less: Sales tax	(87,111)	(119,825)	(202,381)	(228,486)
	<u>690,256</u>	<u>853,749</u>	<u>1,549,201</u>	<u>1,857,011</u>
14. Cost of goods sold				
Raw material consumed	283,951	362,202	672,111	779,643
Salaries, wages, amenities and staff welfare	68,023	70,319	140,356	153,922
Staff training	(113)	340	141	340
Electricity and power	23,512	35,985	56,411	69,347
Stores and spares consumed	34,009	60,505	75,342	112,102
Insurance	1,450	1,675	2,992	3,306
Travelling and conveyance	5,095	11,570	14,027	23,132
Postage and telephone	2,052	2,597	4,210	5,032
Printing and stationery	176	344	489	783
Rent, rates and taxes	946	993	1,874	1,874
Repairs and maintenance	1,938	4,128	4,071	6,341
Legal and professional charges	2,465	4	4,030	608
SAP user license fee and other IT services	9,123	8,902	18,540	16,891
Packing expenses	6,759	7,600	15,083	16,589
Outside services	89,700	92,329	182,778	181,494
Depreciation on property, plant and equipment	34,310	35,684	68,963	70,334
Provision for obsolete stores and stocks	1,500	1,500	3,000	3,000
Warranties	2,706	3,055	6,932	8,059
Other expenses	2,736	1,933	3,196	5,899
	<u>570,338</u>	<u>701,665</u>	<u>1,274,546</u>	<u>1,458,696</u>
Opening work-in-process	275,402	339,180	277,210	399,059
Less: Closing work-in-process	266,996	372,078	266,996	372,078
(Increase) / decrease in work in process	8,406	(32,898)	10,214	26,981
Cost of goods manufactured	578,744	668,767	1,284,760	1,485,677
Opening stock of finished goods	53,608	66,262	56,752	74,126
Less: Closing stock of finished goods	68,789	57,150	68,789	57,150
(Increase) / decrease in finished goods	(15,181)	9,112	(12,037)	16,976
	<u>563,563</u>	<u>677,879</u>	<u>1,272,723</u>	<u>1,502,653</u>

15. Administrative expenses

Administrative expenses include Rs. 21.058 million pertaining to group service cost.

		Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		----- (Un-audited) -----			
		(Rupees in thousands)			
16. Transaction with related parties					
Relationship with the Company	Nature of transaction				
i. Associated Undertaking	Purchase of goods and services	152,731	109,378	225,781	184,781
	Sale of goods and services	203,742	146,725	389,808	318,704
	Commission income	479	4,171	479	9,176
	Commission expense	(6,113)	14,887	12,330	31,644
	Royalty and trademark	4,673	4,461	9,212	10,897
	SAP user license fee	31,349	15,322	31,349	29,072
	Group service cost	21,058	-	21,058	-
ii. Post retirement benefit plans	Expense charged	18,913	22,290	27,407	29,063
iii. Key management personnel	Compensation	66,761	21,855	133,522	121,370

	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	(Rupees in thousands)	
Period end balances		
Receivable from related parties	311,895	275,273
Payable to related parties	351,800	227,905

17. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2019.

There have been no changes in the risk management policies since the year end.

18. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following is categorization of assets which are disclosed at fair value as at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment property	-	-	50,480,650	50,480,650

Valuation techniques used to measure level 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on December 31, 2019 by an independent professionally qualified valuer, M/s Tahseen Fazal Associates (Private) Limited. Level 3 fair value of building on freehold land has been determined using a depreciated market replacement cost approach whereby, replacement cost of the building has been adjusted using a suitable depreciation rate to arrive at present replacement cost. Any changes in fair values and/ or movement in the same is analysed at each reporting date.

Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.

Description	Fair Value as at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	June 30, 2020	June 30, 2019		
Investment property	50,480,650	62,628,400	Suitable depreciation rate to arrive at depreciated market replacement cost.	The market value has been determined by using a unit rate of ground floor based on depreciated cost of construction. Higher the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.

19. Date of authorization for issue

These condensed interim financial statements were authorized for issue on August 19, 2020 by the Board of Directors of the Company.

20. Events after balance sheet date

No material events have occurred subsequent to period ended June 30, 2020.

21. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year. Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. During the period the following major reclassifications were made:

Reclassification from component		Reclassification to component		June 30, 2020 Rupees	June 30, 2019 Rupees
Description	Note	Description	Note		
Cost of sales - Royalty and trademark	14	Distribution and marketing expenses - Royalty and trademark		9,212	10,897
Distribution and marketing expenses - Warranties		Cost of sales - Warranties	14	6,932	8,059


Chief Executive


Chief Financial Officer


Director

مجلس نظام کا جائزہ

میں 30 جون 2020ء کو ختم ہونے والی پہلی ششماہی کے لئے KSB کمپنی لمیٹڈ کے مالیاتی کھاتے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

جب سے کورونا وائرس پھیلا ہے عالمی معیشت میں غیر معمولی کمی دیکھنے میں آئی جس سے نہ صرف انسانی جانوں کو نقصان پہنچا ہے بلکہ عالمی معاشی سرگرمی مفلوج ہو کر رہ گئی ہے۔ متعدد امور سے نبرد آزما ہونے والی پاکستان کی معیشت کو بھی شدید نقصان ہوا ہے اور اس کے نتیجے میں مالی سال 2020 میں معیشت سکتڑ گئی ہے۔ حکومت کو دوہرے چیلنج درپیش ہیں: وائرس کے پھیلاؤ پر قابو پانا اور معاشی نقصانات کو کم کرنا۔ روپے کی قدر میں کمی اور فیول کی بڑھتی قیمتوں نے درآمدات پر مزید منفی اثرات مرتب کئے ہیں۔ اس بحران سے نمٹنے اور کاروباری اداروں اور گھریلو ایشیا کو لیکویڈیٹی سپورٹ فراہم کرنے کے لئے، حکومت نے امدادی پیکیج اور اسٹیٹ بینک کی طرف سے پالیسی کی شرح میں نمایاں کمی، ری فنانس اور دیگر اسکیموں جیسے متعدد اقدامات اٹھائے ہیں۔ چونکہ کوویڈ 19 ختم ہو رہا ہے، توقع کی جا رہی ہے کہ مجموعی طور پر سرگرمی میں تیزی لائی جاسکتی ہے لیکن نقصانات کی شدت کے پیش نظر تدریج ریکوری ہوگی۔ امن وامان اور سیکیورٹی کی صورتحال قابو میں رہی، تاہم، سیاسی بد امنی، پڑوسی ملک کے ساتھ تناؤ اور فیٹ جائزہ جیسے منفی خطرات معاشی کارکردگی کو لاحق خطرے کا باعث ہیں۔

سال 2020 کی پہلی ششماہی میں KSB پاکستان کو سست روی کا سامنا کرنا پڑا۔ حکومت کی طرف سے لاک ڈاؤن ہدایات کی تعمیل میں کمپنی کی کاروائیاں چند ہفتوں تک معطل رہیں۔ بعد میں، ایس او پیز پر سختی سے عمل کرتے ہوئے، اپریل میں جزوی طور پر کچھ حصے کھول دیے گئے، اور دوسری سہ ماہی کے اختتام تک آپریشنز دوبارہ شروع کر دیئے گئے۔ کمپنی نے 1.55 بلین پاکستانی روپوں کا کاروبار کیا ہے جس میں قبل از انٹریسٹ اور ٹیکس 38 بلین جبکہ ٹیکس سے قبل کی آمدنی منفی 41 بلین رہی۔ 2020 کی دوسری سہ ماہی میں، بہت کم سرگرمی کے باوجود، کمپنی بہتر کولیکشن اور اخراجات پر قابو پانے کے سخت اقدامات کے ذریعے اپنے آپریشنز کو برقرار رکھنے میں کامیاب رہی ہے۔

بیرونی محاذ پر، لاک ڈاؤن کے دوران سرکاری اور نجی دونوں شعبوں میں سرگرمی تقریباً ختم ہو گئی تھی۔ اب جبکہ کوویڈ کیسز میں غیر معمولی کمی دیکھی گئی ہے اور پابندیاں ختم کی جا رہی ہیں، سال کے باقی حصے میں تمام بڑے شعبوں سے صحت مند کاروبار کی آمد متوقع ہے۔ پھر بھی، سال 2020 کے لئے کاروباری اہداف کا حصول بحالی کی رفتار پر منحصر ہے۔

میں تمام ملازمین کا شکریہ ادا کرتا ہوں، کیونکہ ان کی لگن اور وابستگی مشکل حالات میں کمپنی کے لئے مضبوطی کا باعث رہی ہے۔

منجانب بورڈ



محمد مسعود اختر

مینجنگ ڈائریکٹر/چیف ایگزیکٹو آفیسر

19 اگست 2020ء

لاہور، پاکستان

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