

Quarterly Report (Un-Audited)

For the Period ended March 31, 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

(Nominee NIT)

Company Secretary

Faisal Aman Khan

Management

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

Chief Executive Officer
 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

Hazara Road, Hassanabdal
Ph: (057) 2520236
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

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16/2 Sir Aga Khan Road Lahore.
Ph: (042) 111 572 786, 36304173
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Golden Heights, Nusrat Road, Multan.
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Racecourse Landmark, 299-A, Main
Peshawar Road, Rawalpindi Cantt
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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: 0345-5385050 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	021-3539048/2	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	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 Partners	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 Partners	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 quarter ended March 31, 2020.

Global economy has been severely hit by raging COVID-19 pandemic which has not only affected health and social lives of people but also exacerbated fears of deep recession in the wake of lockdowns, disrupted supply chain and global trade activity. Pakistan's already slow moving economy is no exception; as per latest World Bank report our GDP may contract in the current fiscal year. Inflation, currently projected at 11.5%, may further increase depending upon duration of lockdown. Rupee devaluation mainly due to outflow of hot money has also affected business activity. All sectors notably manufacturing, construction and services are hurt by COVID-19 shock. In order to support businesses in difficult situation, SBP has issued financial relief package and reduced policy rate to 11%. Activity is expected to pick up once normalcy returns, still recovery phase may be prolonged, given the extent of loss during lockdown period.

KSB Pakistan recorded PKR 859 million turnover in Q1-2019 with positive earnings before interest and tax (EBIT) of PKR 21 million. Earning before tax remained negative on account of halt in activity due to lockdown, adversely affecting sales volume and thus profitability.

Although with a slow start in Q1, pre-virus business projection of the company was overall growth in year 2020 in terms of order intake, revenue and profitability, as compared to year 2019. However, under current lockdown conditions and uncertainty prevailing in the business sector, combined with slowdown in trade and supply chain activity, achievement of growth targets for the year seems a challenge. Further, government may shift funds to health sector which would delay materialization of order intake opportunities. During the lockdown period, the organization has adopted work from home strategy and remains committed to cope with difficult circumstances and sustain our operations.

The board would like to acknowledge hard work and commitment of entire KSB team and wish all our stakeholders best health and safety from Coronavirus threats.



Mohammad Masud Akhtar
MD / Chief Executive Officer

April 22, 2020
Lahore, Pakistan

Condensed Interim Statement of Financial Position (Un-audited)

As at March 31, 2020

	Note	March 31, 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		132,000	132,000
Reserves	5	1,802,184	1,825,898
		1,934,184	1,957,898
NON CURRENT LIABILITIES			
Long term finances - secured	6	93,750	125,000
Employees' retirement and other benefits		89,883	90,691
Deferred taxation		57,884	57,884
		241,517	273,575
CURRENT LIABILITIES			
Current portion of long term finances - secured		125,000	125,000
Short term finances - secured		1,233,694	1,086,456
Trade and other payables		1,348,499	1,402,722
Contract Liability		4,820	8,486
Unclaimed dividend		9,946	9,946
Due to provident fund		4,815	4,390
Provisions for other liabilities and charges		75,902	72,190
		2,802,676	2,709,190
CONTINGENCIES AND COMMITMENTS			
	7		
		4,978,377	4,940,663

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



Chief Executive



Chief Financial Officer



Director

	Note	March 31, 2020 (Rupees in thousand)	December 31, 2019 (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,131,065	1,162,474
Investment property		-	-
Intangible assets		15,826	17,651
Capital work in progress		12,538	16,871
Long term loans and deposits		70,400	69,256
		1,229,829	1,266,252
CURRENT ASSETS			
Stores, spares and loose tools		101,643	73,913
Stock in trade		765,402	794,015
Trade debts		1,409,929	1,305,533
Contract Asset		821,667	814,008
Advances, deposits, prepayments and other receivables		594,958	504,338
Cash and bank balances		54,949	182,604
		3,748,548	3,674,411
		4,978,377	4,940,663


Chief Executive


Chief Financial Officer


Director

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

For the 1st Quarter ended March 31, 2020

	March 31, 2020 (Rupees in thousand)	March 31, 2019
Sales	858,945	1,003,262
Cost of sales	(710,408)	(825,086)
Gross profit	148,537	178,176
Distribution and marketing expenses	(86,555)	(96,225)
Administration expenses	(60,278)	(60,666)
Other operating expenses	-	(1,151)
Other operating income	18,817	28,857
Profit / (loss) from operations	20,521	48,991
Finance cost	(44,235)	(33,457)
Profit / (loss) before taxation	(23,714)	15,534
Taxation	-	(1,510)
Profit / (loss) for the period	(23,714)	14,024
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	(23,714)	14,024
Earnings / (loss) per share - basic & diluted Rupees	(1.80)	1.06

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


Chief Executive


Chief Financial Officer


Director

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

For the 1st Quarter ended March 31, 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
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
Final dividend for the year ended December 31, 2018 Rs 3.00 per share	-	-	(39,600)	(39,600)
Transfer to general reserve	-	149,000	(149,000)	-
Total comprehensive income/(loss) for the period	-	-	81,921	81,921
Balance as at December 31, 2019	132,000	1,729,600	96,298	1,957,898
Total comprehensive income / (loss) for the period	-	-	(23,714)	(23,714)
Balance as at March 31, 2020	132,000	1,729,600	72,584	1,934,184

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


Chief Executive


Chief Financial Officer


Director

Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2020

	Note	January to March	
		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Cash flows from operating activities			
Cash generated / (used) from operations	9	(143,402)	(52,655)
Finance costs paid		(53,430)	(27,208)
Taxes paid		(34,830)	(53,207)
Employees' retirement and other benefits paid		(8,702)	(11,714)
Net (increase) / decrease in long term loans and deposits		(1,144)	(105)
Net cash (used in) / from operating activities		(241,508)	(144,889)
Cash flows from investing activities			
Fixed capital expenditure		(4,083)	(44,085)
Proceeds from sale of property, plant and equipment		1,948	8,094
Net cash used in investing activities		(2,135)	(35,991)
Cash flows from Financing activities			
Long term loan-secured		(31,250)	(31,250)
Dividend paid		-	(73)
Net cash used in financing activities		(31,250)	(31,323)
Net (decrease) / increase in cash and cash equivalents		(274,893)	(212,203)
Cash and cash equivalents at the beginning of the period		(903,852)	(670,318)
Cash and cash equivalents at the end of the period	10	(1,178,745)	(882,521)

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


Chief Executive


Chief Financial Officer


Director

Notes to and Forming Part of the Condensed Interim Financial Information

For the 1st Quarter ended March 31, 2020 (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 and Multan.

2. Basis of preparation

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 2019.

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 financial statements of the Company for the year ended 31 December 2019.

5. Reserves

	March 31, 2020 (Rupees in thousand)	December 31, 2019
General reserve	1,729,600	1,729,600
Unappropriated profit	72,584	96,298
	1,802,184	1,825,898

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. 862.79 million (December 2019: Rs 853.94 million) against the performance of various contracts.

7.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs. 123.04 million (December 2019: Rs. 171.53 million).

8. Property, plant and equipment

		March 31, 2020 (Rupees in thousand)	December 31, 2019
Opening net book value		1,162,474	1,237,974
Additions during the period	- note 8.1	8,416	106,239
Deletions during the period		(1,661)	(26,783)
		<u>1,169,229</u>	<u>1,317,430</u>
Depreciation charged during the period		(38,164)	(154,956)
Closing net book value		<u>1,131,065</u>	<u>1,162,474</u>

8.1 Additions during the period

Buildings on freehold land	-	25,690
Plant and machinery	5,896	45,044
Tools, jigs and attachments	-	2,153
Patterns	-	21,316
Other equipments	-	8,617
Furniture and fixtures	-	1,857
Office machine & appliances	2,520	27
Vehicles	-	1,535
	<u>8,416</u>	<u>106,239</u>

9. Cash generated from operations

	March 31, 2020 (Rupees in thousand)	March 31, 2019
Profit before taxation	(23,714)	15,534
Adjustment of non-cash items:		
Depreciation on property, plant and equipment	38,164	38,535
Depreciation on Investment property	-	53
Depreciation on Intangible assets	1,825	325
Profit on sale of property, plant and equipment	(287)	(2,400)
Employees' retirement and other benefits	7,894	8,399
Provision for doubtful debts & receivables	128	13,669
Stock-in-trade written off	1,500	1,500
Finance cost	44,235	33,457
Exchange (gain)/loss	(1,020)	(18,175)
Profit before working capital changes	<u>68,725</u>	<u>90,897</u>

	March 31, 2020 (Rupees in thousand)	March 31, 2019
Effect of cash flow due to working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and spares	(27,730)	17,080
Stock-in-trade	27,113	59,162
Trade debts	(91,312)	(10,021)
Contract asset	(7,659)	(74,811)
Advances, deposits, prepayments and other receivables	(56,255)	34,116
Increase/(decrease) in current liabilities:		
Trade and other payables	(56,755)	(166,786)
Contract liability	(3,666)	(14,421)
Due to provident fund	425	114
Provisions for other liabilities and charges	3,712	12,015
	(212,127)	(143,552)
	(143,402)	(52,655)
10. Cash and cash equivalents		
Cash and bank balances	54,949	40,681
Short term running finances - secured	(1,233,694)	(923,202)
	(1,178,745)	(882,521)
11. Transactions with related party		
Purchase of goods and services	73,050	75,403
Sale of goods and services	186,066	171,979
Commission income	-	5,005
Commission expense	18,443	16,757
Royalty & Trademark	4,539	6,436
Expense charged in respect of retirement and other benefits	8,494	6,773
Key management personnel & executives compensation	66,761	99,515
	March 31, 2020 (Rupees in thousand)	December 31, 2019
Period-end balances		
Receivable from related parties	257,652	275,273
Payable to related parties	247,838	227,905

12. Date of authorization for issue

This condensed interim financial information was authorized for issue on April 22, 2020 by the Board of Directors of the company.



Chief Executive



Chief Financial Officer



Director

حصص داران کے لئے مجلسِ نفع کے رپورٹ

میں 31 مارچ 2020ء کو ختم ہونے والی پہلی سہ ماہی کے لئے KSB بچیس کمپنی لمیٹڈ کے مالیاتی کھاتے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

کوویڈ 19 وبائی مرض کی وجہ سے عالمی معیشت شدید متاثر ہوئی ہے جس نے نہ صرف لوگوں کی صحت اور معاشرتی زندگیوں کو متاثر کیا ہے بلکہ لاک ڈاؤن، سپلائی چین میں خلل پیدا ہونے اور عالمی تجارتی سرگرمیوں کے تناظر میں گہری کساد بازاری کے خدشات کو بھی بڑھا دیا ہے۔ پاکستان کی پہلے سے ہی سست رفتار معیشت میں اس کی کوئی رعایت نہیں ہے۔ ورلڈ بینک کی تازہ ترین رپورٹ کے مطابق موجودہ مالی سال میں ہمارا جی ڈی پی کم ہو سکتا ہے۔ افراط زر، جو اس وقت 11.5 فیصد متوقع ہے، لاک ڈاؤن مدت کے لحاظ سے مزید بڑھ سکتا ہے۔ ہاٹ منی کے آؤٹ فلو کی وجہ سے روپے کی قدر میں کمی نے کاروباری سرگرمیوں کو بھی متاثر کیا ہے۔ کوویڈ 19 شاک سے تمام شعبوں خاص طور پر مینوفیکچرنگ، تعمیرات اور خدمات کو نقصان پہنچا ہے۔ مشکل صورتحال میں کاروباری اداروں کی مدد کرنے کے لئے، اسٹیٹ بینک پاکستان نے مالی ریلیف پیکج جاری کیا ہے اور پالیسی کی شرح 11 فیصد تک کم کر دی ہے۔ معمول کی واپسی کے بعد سرگرمی میں اضافے کی توقع ہے، لاک ڈاؤن کے دوران نقصان کی حد کو دیکھتے ہوئے، بازیابی کا مرحلہ طویل ہو سکتا ہے۔

KSB پاکستان نے 2019 پہلی سہ ماہی میں 21 ملین پاکستانی روپے کے سود اور ٹیکس سے قبل مثبت آمدنی (EBIT) کے ساتھ 859 ملین پاکستانی روپے کا ٹرن اور درج کیا۔ لاک ڈاؤن کی وجہ سے سرگرمی میں رکاوٹ کی وجہ سے ٹیکس سے قبل آمدنی منفی رہی، جو سیلز کے حجم اور اس طرح منافع کو بری طرح متاثر کر رہی ہے۔

اگرچہ پہلی سہ ماہی میں سست آغاز کے ساتھ، وائرس سے قبل سال 2020 میں کمپنی کے بزنس پروویژنیشن سال 2019 کے مقابلے میں آرڈر انٹیک، ریونیو اور منافع کے لحاظ سے مجموعی طور پر نمو کر رہے تھے۔ تاہم، تجارت اور سپلائی چین کی سرگرمی میں سست روی کے ساتھ، موجودہ لاک ڈاؤن حالات اور کاروباری شعبے میں غیر یقینی صورتحال کے تحت، سال کی نمو کے اہداف کا حصول ایک چیلنج لگتا ہے۔ مزید یہ کہ حکومت صحت کے شعبے میں فنڈز منتقل کر سکتی ہے جس سے آرڈر انٹیک کے مواقع کو بروئے کار لانے میں تاخیر ہوگی۔ لاک ڈاؤن مدت کے دوران، تنظیم نے ہوم سٹریٹیجی سے کام اختیار کیا ہے اور وہ مشکل حالات سے نمٹنے اور اپنے کاموں کو برقرار رکھنے کے لئے پُر عزم ہے۔

میں تمام KSB ٹیم کی سخت محنت اور عزم کا شکر یہ ادا کرتا ہوں اور تمام اسٹیک ہولڈرز کی اچھی صحت اور کورونا وائرس خطرات سے محفوظ رہنے کا خواہشمند ہوں۔

منجانب بورڈ



محمد مسعود اختر

نیجنگ ڈائریکٹر/چیف ایگزیکٹو آفیسر

22 اپریل 2020ء

لاہور، پاکستان



BOOK POST
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