

# Half Yearly Report (Un-Audited)

For the period ended June 30, 2019  
KSB Pumps Company Limited



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## Company Information

### Board of Directors

Dr. Sven Baumgarten  
 Mohammad Masud Akhtar  
 Sajid Mahmood Awan  
 Dr. Matthias Beth  
 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, 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  
 Dr. Matthias Beth  
 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

## Sales Offices

### Lahore

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

### Multan

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

### Rawalpindi

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

### Karachi

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

### Peshawar

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

## KSB Partners

| Sr. | Channel   | City       | Location  | Status       | Province    | Partners                 | Contact#                   | Office Landline | Fax          | Email                       |
|-----|---|------------|---|--------------|-------------|--------------------------|----------------------------|-----------------|--------------|-----------------------------|
| 1   | Dominar Engineers                               | Lahore     | 65-A Ferozpur Road, Link Samanabad Road, near LOS                             | KSB Partners | Punjab      | Hammad Malik/ Syed Mehdi | 0302-87444498              | 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       | Saqib Khawaja            | 0300-8203077               | 021-3539048/2   | 021-35390483 | saqib@idea.com.pk           |
| 3   | Wali Muhammad & Co.                             | Quetta     | Zonkiram Road near millennium Mall  | KSB Partners | Balochistan | Wali Muhammad            | 0300- 8387668              | 081-2829635     | 081-2829635  | gulistanmachinery@yahoo.com |
| 4   | Pak Atlantis Pumps                              | Peshawar   | 3rd floor, Mall Tower, 35- The Mall, Peshawar Cantt                           | KSB Partners | KPK         | Arbab Bilal Ahmad        | 0308-5053175/ 0345-5555939 | 091-5285679     | 091-5278919  | pakatlantis@gmail.com       |
| 5   | Pak Atlantis Pumps                              | Rawalpindi | 309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi            | KSB Partners | Punjab      | Arbab Bilal Ahmad        | 0345-5555939               | 051-5491413     | 051- 5491237 | pakatlantis@gmail.com       |
| 6   | Modern Technology & Traders                     | Karachi    | 4th Floor, Building # 11-C/2, Lane-11 Bukhari Commercial DHA Phase-6, Karachi | KSB Partners | Sindh       | Haji Iqbal Sheikh        | 0321-2038202/ 0333-7299905 | 021-35156121-4  | 021-35156125 | qayoomshaikh3@gmail.com     |

## Directors' Review

I am pleased to present the financial statements of KSB Pumps Company Limited for the 1st half ended June 30, 2019.

Overall economic activity remained subdued in FY 2019 with provisional estimate of 3.2% GDP growth against 5.8% for FY 2018. Inflation has exceeded 10% in July with forecast for the year to be around 12%. All major sectors have recorded negative growth. Based on upside inflationary pressure, the central bank has raised its policy rate to 13.25%. Rupee devaluation combined with increase in fuel prices, energy tariff, and interest rates have increased overall costs thus hampering business activities. Current account deficit has narrowed mainly due to reduction in imports. IMF extended fund facility would help improve market confidence and chances of getting finances from other institutions, hence supporting macroeconomic stability. On the other hand, along with fiscal consolidation policy of the present government, it would result in further tightening of monetary and fiscal conditions, as evident from the recent budget. Law & order and security situation remained under control, however, downside risks like political unrest, rising tensions with neighbouring country, and upcoming FATF review continue to pose threat to the economic performance.

Amid challenges on the economic front, KSB Pakistan has achieved decent financial results in the 1st half of year 2019. Turnover remained PKR 1.86 billion with profit after tax of PKR 48 million and earnings per share of PKR 3.64.

Business activity in public sector could not resume and the trend is likely to continue in Q3-2019. A few sizeable opportunities from public sector are in pipeline subject to timely release of funds, expected by end of Q3 or in beginning of Q4-2019. This would result in improvement in order intake of the company. Good order intake from corporate sector and international market has partially offset the negative impact of business with public sector. Going forward, however, overall slowdown might impact orders inflow from local corporate sector. KSB Pakistan expects to achieve positive financial results for the year 2019, however, due to currently prevailing uncertainty in the business market, achievement of targets appears to be a challenge.

I appreciate hard work and efforts of our dedicated team to cope with the economic challenges faced by the company.



**Mohammad Masud Akhtar**  
MD / Chief Executive Officer

August 21, 2019  
Lahore, Pakistan



A·F·FERGUSON&amp;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, 2019 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 period ended June 30, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2019.

### 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 23, 2019

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan  
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

**Condensed Interim Statement of Financial Position (Un-audited)**

As at June 30, 2019

|   | Note | June 30,<br>2019<br>(Un-audited)<br>(Rupees in thousands) | December 31,<br>2018<br>(Audited)<br>(Rupees in thousands) |
|---|------|---|--|
| <b>EQUITY AND LIABILITIES</b>                               |      |   |  |
| <b>SHARE CAPITAL AND RESERVES</b>                           |      |   |  |
| <b>Authorised capital</b>                                   |      |   |  |
| 15,000,000 (2018: 15,000,000) ordinary shares of Rs 10 each |      | 150,000   | 150,000  |
| <b>Issued, subscribed and paid up capital</b>               |      |   |  |
| 13,200,000 (2018: 13,200,000) ordinary shares of Rs 10 each |      | 132,000   | 132,000  |
| General Reserves  |      | 1,729,600   | 1,580,600  |
| Unappropriated profit                                       |      | 48,370  | 188,953  |
|   |      | 1,909,970   | 1,901,553  |
| <b>NON CURRENT LIABILITIES</b>                              |      |   |  |
| Long term finances - secured                                | 5    | 187,500   | 250,000  |
| Employees' retirement and other benefits                    |      | 99,963  | 100,853  |
| Deferred liabilities  |      | 81,800  | 82,930   |
|   |      | 369,263   | 433,783  |
| <b>CURRENT LIABILITIES</b>                                  |      |   |  |
| Current portion of long term finances - secured             |      | 125,000   | 125,000  |
| Short term finances - secured                               |      | 1,006,616   | 841,760  |
| Trade and other payables                                    | 6    | 1,490,466   | 1,708,075  |
| Contract liability  |      | 4,757   | 20,164   |
| Unclaimed dividend  |      | 12,380  | 8,957  |
| Due to provident fund                                       |      | 6,189   | 4,168  |
| Provisions for other liabilities and charges                |      | 36,691  | 78,210   |
|   |      | 2,682,099   | 2,786,334  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                        |      |   |  |
|   |      | 4,961,332   | 5,121,670  |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chairman



Chief Executive



Chief Financial Officer

|   | Note | June 30,<br>2019<br>(Un-audited)<br>(Rupees in thousands) | December 31,<br>2018<br>(Audited)<br>(Rupees in thousands) |
|---|------|---|--|
| <b>ASSETS</b>   |      |   |  |
| <b>NON-CURRENT ASSETS</b>                             |      |   |  |
| Property, plant and equipment                         | 8    | 1,216,737   | 1,237,973  |
| Investment property                                   |      | 53  | 160  |
| Intangible assets                                     |      | 1,807   | 2,452  |
| Capital work-in-progress                              |      | 14,236  | 29,212   |
| Long-term loans and deposits                          |      | 71,948  | 74,313   |
|   |      | 1,304,781   | 1,344,110  |
| <b>CURRENT ASSETS</b>                                 |      |   |  |
| Stores, spares and loose tools                        |      | 88,775  | 112,574  |
| Stock-in-trade  |      | 933,030   | 955,486  |
| Trade debts   | 9    | 1,254,412   | 1,319,210  |
| Contract Asset  |      | 730,673   | 668,490  |
| Advances, deposits, prepayments and other receivables |      | 570,125   | 550,358  |
| Cash and bank balances                                | 11   | 79,536  | 171,442  |
|   |      | 3,656,551   | 3,777,560  |
|   |      | 4,961,332   | 5,121,670  |

  
Chairman

  
Chief Executive

  
Chief Financial Officer



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

For the three months and six months period ended June 30, 2019

|   | Note | Three months ended                                |                  | Six months ended |                  |
|---|------|---|------------------|------------------|------------------|
|   |      | June 30,<br>2019                                  | June 30,<br>2018 | June 30,<br>2019 | June 30,<br>2018 |
|   |      | ----- (Un-audited) -----<br>(Rupees in thousands) |                  |                  |                  |
| Sales                                       | 12   | 853,749   | 1,310,305        | 1,857,011        | 2,637,295        |
| Cost of sales                               | 13   | (679,285)   | (1,072,246)      | (1,505,491)      | (2,144,851)      |
| <b>Gross profit</b>                         |      | <b>174,464</b>                                    | <b>238,059</b>   | <b>351,520</b>   | <b>492,444</b>   |
| Distribution and marketing expenses         |      | (68,945)  | (80,442)         | (163,738)        | (150,539)        |
| Administrative expenses                     |      | (55,247)  | (63,990)         | (116,225)        | (130,332)        |
| Other operating expenses                    |      | (3,283)   | (235)            | (4,434)          | (19,385)         |
| Other operating income                      |      | 36,650  | 11,673           | 65,507           | 17,755           |
| <b>Profit from operations</b>               |      | <b>83,639</b>                                     | <b>105,065</b>   | <b>132,630</b>   | <b>209,943</b>   |
| Finance costs                               |      | (40,025)  | (5,223)          | (73,482)         | (8,965)          |
| <b>Profit before taxation</b>               |      | <b>43,614</b>                                     | <b>99,842</b>    | <b>59,148</b>    | <b>200,978</b>   |
| Taxation                                    |      | (9,621)   | (3,966)          | (11,131)         | (30,358)         |
| <b>Profit after taxation</b>                |      | <b>33,993</b>                                     | <b>95,876</b>    | <b>48,017</b>    | <b>170,620</b>   |
| Other comprehensive income                  |      | -   | -                | -                | -                |
| <b>Total comprehensive income</b>           |      | <b>33,993</b>                                     | <b>95,876</b>    | <b>48,017</b>    | <b>170,620</b>   |
| Earnings per share - basic & diluted Rupees |      | 2.58  | 7.26             | 3.64             | 12.93            |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chairman

  
Chief Executive

  
Chief Financial Officer

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

For the six months period ended June 30, 2019

|  | Share<br>capital      | General<br>reserve | Unappropriated<br>profit | Total     |
|--|-----------------------|--------------------|--------------------------|-----------|
|  | (Rupees in thousands) |                    |                          |           |
| Balance as at January 1, 2018  | 132,000               | 1,348,600          | 390,769                  | 1,871,369 |
| Final dividend for the year ended<br>December 31, 2017 at the rate of Rs 12.02 per share | -                     | -                  | (158,664)                | (158,664) |
| Transfer to general reserve  | -                     | 232,000            | (232,000)                | -         |
| Total comprehensive income for the period  | -                     | -                  | 170,620                  | 170,620   |
| Balance as at June 30, 2018  | 132,000               | 1,580,600          | 170,725                  | 1,883,325 |
| Total comprehensive income for the period  | -                     | -                  | 18,228                   | 18,228    |
| Balance as at December 31, 2018  | 132,000               | 1,580,600          | 188,953                  | 1,901,553 |
| Final dividend for the year ended<br>December 31, 2018 Rs 3.00 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 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chairman

  
Chief Executive

  
Chief Financial Officer

## Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2019

|   | Note      | Six months ended      |                  |
|---|-----------|-----------------------|------------------|
|   |           | June 30,<br>2019      | June 30,<br>2018 |
|   |           | (Un-audited)          |                  |
|   |           | (Rupees in thousands) |                  |
| <b>Cash flows from operating activities</b>               |           |                       |                  |
| Cash generated / (used) from operations                   | 10        | 30,961                | (317,158)        |
| Finance costs paid  |           | (63,962)              | (9,581)          |
| Taxes paid  |           | (70,379)              | (95,405)         |
| Employees' retirement and other benefits paid             |           | (17,688)              | (11,489)         |
| Net decrease in long term loans and deposits              |           | 2,365                 | 541              |
| <b>Net cash used in operating activities</b>              |           | <b>(118,703)</b>      | <b>(433,092)</b> |
| <b>Cash flows from investing activities</b>               |           |                       |                  |
| Fixed capital expenditure                                 |           | (48,912)              | (101,802)        |
| Proceeds from sale of property, plant and equipment       |           | 9,530                 | 35               |
| <b>Net cash used in investing activities</b>              |           | <b>(39,382)</b>       | <b>(101,767)</b> |
| <b>Cash flows from financing activities</b>               |           |                       |                  |
| Long term loan-secured                                    |           | (62,500)              | 32,123           |
| Dividend paid   |           | (36,177)              | (54,132)         |
| <b>Net cash used in financing activities</b>              |           | <b>(98,677)</b>       | <b>(22,009)</b>  |
| Net decrease in cash and cash equivalents                 |           | (256,762)             | (556,868)        |
| Cash and cash equivalents at the beginning of the period  |           | (670,318)             | 296,643          |
| <b>Cash and cash equivalents at the end of the period</b> | <b>11</b> | <b>(927,080)</b>      | <b>(260,225)</b> |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chairman

  
Chief Executive

  
Chief Financial Officer

## Notes to and Forming Part of the Condensed Interim Financial Information

For the three months and six months period ended June 30, 2019 (Un-audited)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

KSB Pumps Company Limited (a KSB group company) 'the Company' was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The Company is a subsidiary of KSB SE & Co. KGaA and principally engaged in the manufacture and sale of industrial pumps, valves, castings and related parts and 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 information does 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, 2018.

### 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 July 01, 2018 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 condensed interim financial information, except for the following:

IFRS 16 'Leases' was effective for the annual periods beginning on or after January 1, 2019. IFRS 16 'Leases' has replaced IAS 17. The new standard requires lessees to recognize nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Under IFRS 16 lessees may elect not to recognize assets and liabilities for leases with a lease term of 12 months or less. In such cases a lessee recognizes the lease payments in profit or loss on a straight-line basis over the lease term. The exemption is required to be applied by class of underlying assets. The impact of the IFRS-16 has been mentioned in Note 3.

### 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 July 1, 2020 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.

### 2.3 Summary of significant events and transactions

The Company's financial position and performance was particularly affected by the following events and transactions during the interim reporting period:

- The export sales of the Company has increased by Rs 171.441 million during the period ended June 30, 2019 on account of sales made to the related parties.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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, 2018 except for the application of IFRS 16 'Leases'. However, there has been no effect of the change in accounting policy on the current and prior period financial statements. Since as all the lease agreements are short term in nature and as mentioned above, lessees may elect not to recognize right to use assets and lease liabilities for leases with a lease term of 12 months or less. In such cases a lessee recognizes the lease payments in profit or loss on a straight-line basis over the lease term therefore there will be no change in application of accounting treatment during the period. Hence, the Company has utilized the practical expedient for certain leases since, the lease term ends within 12 months from the date of initial application as mentioned in the standard.

Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended December 31, 2018.

## 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.

## 5. LONG TERM FINANCES - SECURED

Long term finances - secured  
Current portion of long term finances - secured

|   | June 30,<br>2019<br>(Un-audited)<br>(Rupees in thousands) | December 31,<br>2018<br>(Audited)<br>(Rupees in thousands) |
|---|---|--|
| Long term finances - secured                    | 187,500   | 250,000  |
| Current portion of long term finances - secured | 125,000   | 125,000  |
|   | <u>312,500</u>  | <u>375,000</u>   |

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 9.49% to 11.82% during the period (June 30: 2018: 6.17% to 6.51%). As at June 30, 2019, the Company has repaid an amount of Rs 187.5 million (December 31, 2018: Rs 125 million).

## 6. TRADE AND OTHER PAYABLES

Trade creditors include amount due to holding company of Rs 209.97 million (December 2018: Rs 181.13 million) and associated undertakings of Rs 49.69 million (December 2018: Rs. 38.75 million). Further, it includes contract liability amounting to Rs. 275.23 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 that the Company has obtained bank guarantees of Rs. 1,004.84 million (December 2018: Rs 1,116.99 million) against the performance of various contracts.

### 7.2 Commitments

The Company has commitment in respect of letter of credits other than for capital expenditure approximately Rs. 71.18 million (December 2018: Rs. 135.54 million).

|  | Note | June 30,<br>2019<br>(Un-audited)<br>(Rupees in thousands) | December 31,<br>2018<br>(Audited)<br>(Rupees in thousands) |
|--|------|---|--|
| <b>8. PROPERTY, PLANT AND EQUIPMENT</b>          |      |   |  |
| Opening book value                               |      | 1,237,973   | 484,057  |
| Add: Additions during the period                 | 8.1  | 63,888  | 888,686  |
|  |      | <u>1,301,861</u>  | <u>1,372,743</u>   |
| Less: Disposal during the period (at book value) |      | (7,447)   | (9,654)  |
| Depreciation charged during the period           |      | (77,677)  | (125,116)  |
|  |      | <u>(85,124)</u>   | <u>(134,770)</u>   |
|  |      | <u>1,216,737</u>  | <u>1,237,973</u>   |
| <b>8.1 Additions</b>                             |      |   |  |
| Buildings on freehold land                       |      | 16,547  | 123,532  |
| Plant and machinery                              |      | 37,527  | 627,935  |
| Tools, jigs and attachments                      |      | -   | 396  |
| Patterns   |      | -   | 9,162  |
| Other equipment                                  |      | 7,957   | 77,351   |
| Furniture and fixtures                           |      | 1,857   | 399  |
| Office machines and appliances                   |      | -   | 14,167   |
| Vehicles   |      | -   | 35,744   |
|  |      | <u>63,888</u>   | <u>888,686</u>   |
| <b>9. TRADE DEBTS</b>                            |      |   |  |
| Trade debts                                      |      | 1,384,698   | 1,439,138  |
| Less: Provision for doubtful debts               |      | (130,286)   | (119,928)  |
|  |      | <u>1,254,412</u>  | <u>1,319,210</u>   |

|  | Six months ended      |                  |
|--|-----------------------|------------------|
|  | June 30,<br>2019      | June 30,<br>2018 |
|  | (Un-audited)          |                  |
|  | (Rupees in thousands) |                  |
| <b>10. CASH GENERATED FROM OPERATIONS</b>  |                       |                  |
| Profit before taxation   | 59,148                | 200,978          |
| Adjustment of non-cash items:  |                       |                  |
| Depreciation on property, plant and equipment  | 77,677                | 47,179           |
| Depreciation on investment property  | 107                   | 107              |
| Amortization on intangible assets  | 645                   | 518              |
| Profit on sale of property, plant and equipment  | (2,083)               | (35)             |
| Employees' retirement and other benefits   | 16,798                | 12,870           |
| Provision for doubtful debts and receivables   | 10,539                | -                |
| Provision for slow moving stock  | 3,000                 | 3,000            |
| Finance cost   | 73,482                | 8,965            |
| Provisions no longer considered necessary and unclaimed<br>balances written back                             | -                     | (1,935)          |
| Exchange (gain) / loss   | (43,831)              | 3,990            |
| <b>Profit before working capital changes</b>   | <b>195,482</b>        | <b>275,637</b>   |
| <b>Effect on cash flow due to working capital changes</b><br><b>(Increase) / decrease in current assets:</b> |                       |                  |
| Stores, spares and loose tools   | 23,799                | (17,714)         |
| Stock-in-trade   | 19,456                | (89,394)         |
| Trade debts  | 126,064               | (232,640)        |
| Contract asset   | (61,433)              | (45,565)         |
| Advances, deposits, prepayments and other receivables  | 40,014                | (74,853)         |
|  | 147,900               | (460,166)        |
| <b>Increase / (decrease) in current liabilities:</b>   |                       |                  |
| Trade and other payables   | (257,516)             | (72,242)         |
| Contract liability   | (15,407)              | (36,783)         |
| Due to provident fund  | 2,021                 | 365              |
| Provisions for other liabilities and charges   | (41,519)              | (23,969)         |
|  | (312,421)             | (132,629)        |
|  | <b>30,961</b>         | <b>(317,158)</b> |
| <b>11. CASH AND CASH EQUIVALENTS</b>   |                       |                  |
| Cash and cash equivalents comprise the following items:  |                       |                  |
| Cash and bank balances   | 79,536                | 131,234          |
| Short term finances  | (1,006,616)           | (391,459)        |
|  | <b>(927,080)</b>      | <b>(260,225)</b> |

|   | Three months ended    |                  | Six months ended |                  |
|---|-----------------------|------------------|------------------|------------------|
|   | June 30,<br>2019      | June 30,<br>2018 | June 30,<br>2019 | June 30,<br>2018 |
|   | (Un-audited)          |                  |                  |                  |
|   | (Rupees in thousands) |                  |                  |                  |
| <b>12. SALES</b>                              |                       |                  |                  |                  |
| Local sales                                   | 816,381               | 1,408,361        | 1,751,061        | 2,843,604        |
| Export Sales                                  | 157,193               | 81,519           | 334,436          | 162,995          |
|   | 973,574               | 1,489,880        | 2,085,497        | 3,006,599        |
| Less: Sales tax                               | (119,825)             | (179,575)        | (228,486)        | (369,304)        |
|   | 853,749               | 1,310,305        | 1,857,011        | 2,637,295        |
| <b>13. COST OF GOODS SOLD</b>                 |                       |                  |                  |                  |
| Raw material consumed                         | 362,203               | 720,995          | 779,644          | 1,402,158        |
| Salaries, wages, amenities and staff welfare  | 70,319                | 85,161           | 153,922          | 175,441          |
| Staff training                                | 340                   | 202              | 340              | 202              |
| Electricity and power                         | 35,985                | 34,524           | 69,347           | 58,873           |
| Stores and spares consumed                    | 60,505                | 66,041           | 112,102          | 126,090          |
| Insurance                                     | 1,675                 | 1,563            | 3,306            | 2,986            |
| Travelling and conveyance                     | 11,570                | 15,844           | 23,132           | 31,124           |
| Postage and telephone                         | 2,597                 | 2,749            | 5,032            | 5,409            |
| Printing and stationery                       | 344                   | 2,670            | 783              | 3,746            |
| Rent, rates and taxes                         | 993                   | 1,548            | 1,874            | 3,971            |
| Repairs and maintenance                       | 4,128                 | 7,400            | 6,341            | 16,327           |
| Legal and professional charges                | 4                     | 2,793            | 608              | 4,601            |
| SAP user license fee and other IT services    | 8,902                 | 3,190            | 16,891           | 8,614            |
| Packing expenses                              | 7,600                 | 10,862           | 16,589           | 21,318           |
| Outside services                              | 92,329                | 168,278          | 181,494          | 250,566          |
| Depreciation on property, plant and equipment | 35,684                | 22,448           | 70,334           | 38,732           |
| Provision for obsolete stores and stocks      | 1,500                 | 1,500            | 3,000            | 3,000            |
| Royalty & trademark                           | 4,461                 | 5,784            | 10,897           | 11,418           |
| Other expenses                                | 1,933                 | 5,464            | 5,899            | 8,814            |
|   | 703,072               | 1,159,016        | 1,461,535        | 2,173,390        |
| Opening work-in-process                       | 339,180               | 409,915          | 399,059          | 465,442          |
| Less: Closing work-in-process                 | 372,080               | 449,350          | 372,080          | 449,350          |
| (Increase) / decrease in work in process      | (32,900)              | (39,435)         | 26,979           | 16,092           |
| Cost of goods manufactured                    | 670,172               | 1,119,581        | 1,488,514        | 2,189,482        |
| Opening stock of finished goods               | 66,262                | 77,832           | 74,126           | 80,536           |
| Less: Closing stock of finished goods         | 57,149                | 125,167          | 57,149           | 125,167          |
| (Increase) / decrease in finished goods       | 9,113                 | (47,335)         | 16,977           | (44,631)         |
|   | 679,285               | 1,072,246        | 1,505,491        | 2,144,851        |



|   |                                | Three months ended       |                  | Six months ended |                  |
|---|--------------------------------|--------------------------|------------------|------------------|------------------|
|   |                                | June 30,<br>2019         | June 30,<br>2018 | June 30,<br>2019 | June 30,<br>2018 |
|   |                                | ----- (Un-audited) ----- |                  |                  |                  |
|   |                                | (Rupees in thousands)    |                  |                  |                  |
| <b>14. TRANSACTION WITH RELATED PARTIES</b> |                                |                          |                  |                  |                  |
| <b>Relationship with the Company</b>        | <b>Nature of transaction</b>   |                          |                  |                  |                  |
| i. Associated Undertaking                   | Purchase of goods and services | 109,378                  | 132,284          | 184,781          | 360,991          |
|   | Sale of goods and services     | 146,725                  | 78,479           | 318,704          | 151,953          |
|   | Commission income              | 4,171                    | 4,719            | 9,176            | 5,530            |
|   | Commission expense             | 14,887                   | 8,515            | 31,644           | 16,169           |
|   | Royalty and trademark          | 4,461                    | 5,784            | 10,897           | 11,418           |
|   | SAP user license fee           | 15,322                   | 5,491            | 29,072           | 14,827           |
|   | Group service cost             | -                        | 11,373           | -                | 25,413           |
| ii. Post retirement benefit plans           | Expense charged                | 22,290                   | 17,744           | 29,063           | 24,179           |
| iii. Key management personnel               | Compensation                   | 21,855                   | 38,612           | 121,370          | 129,080          |

|                                 | June 30,<br>2019<br>(Un-audited) | December 31,<br>2018<br>Audited |
|---------------------------------|----------------------------------|---------------------------------|
|                                 | (Rupees in thousands)            |                                 |
| <b>Period end balances</b>      |                                  |                                 |
| Receivable from related parties | 317,692                          | 275,239                         |
| Payable to related parties      | 259,657                          | 260,948                         |

## 15. 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, 2018.

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

## 16. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 21, 2019 by the Board of Directors of the Company.

17. EVENTS AFTER BALANCE SHEET DATE

No material events have occurred subsequent to period ended June 30, 2019.

18. 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. However, no significant re-arrangements have been made.

  
Chairman

  
Chief Executive

  
Chief Financial Officer

## حصص داران کے لئے مجلس نظام کی رپورٹ

میں 30 جون 2019ء کو ختم ہونے والی پہلی ششماہی کے لئے KSB پیپس کمپنی لمیٹڈ کے مالیاتی کھاتے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

مالی سال 2018 میں 5.8% جی ڈی پی نمو کے مقابلے 3.2% جی ڈی پی نمو کے پرویزنل تخمینہ کے ساتھ مالی سال 2019 میں مجموعی اقتصادی سرگرمی دباؤ کے تحت رہی۔ جولائی میں افراط زر 10% سے تجاوز کر گیا جبکہ سال کے لئے تقریباً 12% کی پیشین گوئی کی گئی ہے۔ موجودہ مالی سال میں تمام اہم شعبوں نے منفی نمو ظاہر کی ہے۔ اپ سائیڈ افراط زر دباؤ کی بنیاد پر، سنٹرل بینک نے اپنی پالیسی شرح 13.25% تک بڑھادی ہے۔ روپے کی قدر میں کمی کے ساتھ ایندھن کی قیمتوں، بجلی کے نرخوں اور سود کی شرحوں میں اضافہ کی بدولت مجموعی اخراجات بڑھ گئے ہیں جن کے کاروباری سرگرمی پر منفی اثرات مرتب ہوئے ہیں۔ درآمدات میں بنیادی کمی کی وجہ سے کرنٹ اکاؤنٹ خسارہ کم ہوا۔ آئی ایم ایف کی پیش کردہ فنڈ سہولت مارکیٹ اعتماد کو بہتر بنانے اور دیگر اداروں سے مالی امداد حاصل کرنے کے مواقع میں مدد کرے گی، چنانچہ مائیکرو اکنامک استحکام کے لئے معاون ہوگی۔ دوسری طرف، موجودہ حکومت کی فیکل کنسولیدیشن پالیسی کے ساتھ، اس کے نتیجے میں مائیکرو اور فیکل شرائط کی مزید سختی ہوگی، جس کا ثبوت موجودہ بجٹ سے ظاہر ہے۔ امن و امان اور سلامتی کی صورتحال زیر کنٹرول رہی، تاہم، سیاسی بدنامی، ہمسایہ ملک کے ساتھ بڑھتا ہوا تناؤ اور اقتصادی کارکردگی کے لئے ایف اے ٹی ایف کے آئندہ جائزہ جیسے خطرات کم ہو رہے ہیں۔

معاشی محاذ پر چیلنجوں کے درمیان، کے ایس بی پاکستان نے سال 2019 کی پہلی ششماہی میں اچھے مالی نتائج حاصل کیے ہیں۔ ٹیکس کے بعد 48 بلین پاکستانی روپے منافع اور 3.64 پاکستانی روپے فی حصص آمدنی کے ساتھ ٹرن اور 1.86 بلین پاکستانی روپے رہا۔

پبلک شعبے میں کاروباری سرگرمیاں دوبارہ شروع نہیں ہو سکی ہیں اور یہ رجحان Q3-2019 میں جاری رہنے کا امکان ہے۔ پبلک شعبے سے چند قابل قدر مواقع پائپ لائن میں ہیں جو فنڈز کے بروقت اجراء کے ساتھ مشروط ہیں، جن کی Q3 کے اختتام یا Q4-2019 کے آغاز میں توقع ہوگی۔ اس کے نتیجے میں کمپنی کے انٹیک آرڈر کی مقدار میں بہتری آئے گی۔ کارپوریٹ سیکٹر اور بین الاقوامی مارکیٹ سے اچھے آرڈر انٹیک کی مقدار نے پبلک شعبے میں کاروبار کے منفی اثرات کو جزوی طور پر ختم کر دیا ہے۔ تاہم، آگے بڑھتے ہوئے، مجموعی طور پر سست روی کا اثر مقامی کارپوریٹ سیکٹر سے آنے والے آرڈروں پر پڑ سکتا ہے۔ کے ایس بی پاکستان سال 2019 کے مثبت مالی نتائج حاصل کرنے کی توقع کرتی ہے، تاہم، اس وقت کاروباری مارکیٹ میں موجودہ غیر یقینی صورتحال کی وجہ سے، اہداف کا حصول ایک چیلنج ثابت ہوتا ہے۔

میں کمپنی کو درپیش اقتصادی مشکلات سے نمٹنے کے لئے اپنی سرشار ٹیم کی سخت محنت اور کوششوں کو سراہتا ہوں۔

منجانب بورڈ



محمد مسعود اختر

میجنگ ڈائریکٹر / چیف ایگزیکٹو آفیسر

21 اگست 2019ء

لاہور، پاکستان





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TO:



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