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Quarterly Report (Un-Audited)
For the Period ended September 30, 2016
KSB Pumps Company Limited



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Company Information

Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Sajid Mahmood Awan	
Dr. Matthias Beth	
Rahat Kaunain Hassan	
Hasan Aziz Bilgrami	
Syed Hyder Ali	
Jamal Nasim	(Nominee NIT)

Company Secretary

Sajid Mahmood Awan

Management

Mohammad Masud Akhtar	Chief Executive Officer
Sajid Mahmood Awan	Finance, Administration & Corporate Affairs
Syed Tariq Ali	Operations
Muhammad Imran Malik	Sales & Strategic Marketing
Mamoon Riaz	Projects

Auditors

A.F. Ferguson & Co.	Chartered Accountants
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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
 NIB Bank Limited
 United Bank Limited

Audit Committee

Jamal Nasim	Chairman
Hasan Aziz Bilgrami	Member
Dr. Matthias Beth	Member
Syed Hyder Ali	Member

Secretary Audit Committee

Saeed Hussain

HR & R Committee

Rahat Kaunain Hassan
Syed Hyder Ali
Mohammad Masud Akhtar

Chairperson
Member
Member

Registered Office

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

Works

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

Share Registrar

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

Sales Offices

Lahore

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

Multan

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

Rawalpindi

309, A3 Peshawar Road, Westridge 1,
Opp. Valley Clinic, Rawalpindi.
Ph: (051) 111 572 786, (051) 5491481-82
Fax: (051) 5491237
Email: ksbrwp@ksb.com.pk

Karachi

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

Peshawar

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

KSB Partners

Sr.	Channel	City	Location	Status	Province	Partners	Contact#	Office Landline	Fax	Email
1	Dominar Engineers	Lahore	65-A Ferozpur Road, Link Samanabad Road, near LOS	KSB Partners	Punjab	Hammad Malik/ Syed Mehdi	0302-8744449/8	042-37500078	042-37500078	hammad.malik@de.com.pk
2	Industrial Development & Engineering Associates	Karachi	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	KSB Partners	Sindh	Saqib Khawaja	0300-8203077	021-35390481/2	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/ Atif Javed	0308-5053175/ 0345-5555939	091-5285679	091-5278919	pakatantis@gmail.com
5	Pak Atlantis Pumps	Rawalpindi	309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi	KSB Partners	Punjab	Arbab Bilal Ahmad/ Atif Javed	0345-5555939	051-5491413	051- 5491237	pakatantis@gmail.com
6	Modern Technology & Traders	Karachi	Plot No. 36C, 3rd & 4th Floor, Lane 11, Bukhari Commercial Phase-6 DHA, Karachi	KSB Partners	Sindh	Farhan Hasan / Mansoor Iqbal	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 nine months ended September 30, 2016.

Overall economic performance remains positive so far in the first quarter of the current fiscal year. The economy is expected to expand further based on activity related to CPEC. Low interest rates and better energy supply may support growth in manufacturing sector. Overall law & order and security situation has also improved. However, expected political unrest and geo political tensions in the region pose threat to the economic growth. Uncertain oil prices and widening current account deficit are among other downside risks.

KSB Pakistan continues to achieve excellent business results in the third quarter. Total turnover of the company exceeded 3 billion mark, exactly being PKR 3.7 billion, a 27% growth over previous year. Resultantly, the company has earned profit before tax of PKR 358 million, a substantial growth of 36% over corresponding period. Profit after tax increased to 255 million, again a significant 39% growth over previous year. Resultantly Earnings per share increased to Rs. 19.28 as compared to Rs. 13.89 for nine months of the last year.

Going forward, healthy business activity is foreseen in all key segments including Industry, and water/waste water. KSB Pakistan has successfully completed major execution work of Saaf Pani Project, one of the reasons for significant increase in turnover in year 2016. Further healthy orders in hand gives us confidence to close year 2016 with remarkable numbers.

Construction work of new foundry has been initiated and procurement of machinery is in progress. New state-of-the-art Foundry is expected to be operational by the end of year 2017.

KSB Pakistan has won 13th Annual Environment Excellence Award 2016 in appreciation of our commitment towards sustainable development of environment friendly policies.

I would like to express my appreciation to our committed team on wonderful achievements of their business targets so far and hope the year 2016 to be another excellent year for KSB Pakistan and its stakeholders.



Mohammad Masud Akhtar

Managing Director

October 20, 2016

Lahore, Pakistan

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2016

	Note	September 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (2015: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital 13,200,000 (2015: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserves		1,085,600	903,000
Unappropriated profit		255,046	275,250
		1,472,646	1,310,250
NON CURRENT LIABILITIES			
Employees' retirement and other benefits		64,267	63,949
Deferred taxation		25,256	19,779
		89,523	83,728
CURRENT LIABILITIES			
Short term running finances - secured		119,234	381,372
Trade and other payables	5	1,841,030	1,542,692
Provisions for other liabilities and charges		49,112	59,590
Accrued finance cost		1,806	3,639
		2,011,182	1,987,293
CONTINGENCIES AND COMMITMENTS			
	6	3,573,351	3,381,271

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

	Note	September 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	403,135	406,779
Investment property		640	800
Intangible assets		766	1,056
Capital work in progress		21,899	9,160
Long term loans and deposits		14,679	15,188
		441,119	432,983
CURRENT ASSETS			
Stores, spares and loose tools		74,270	53,812
Stock in trade		832,900	713,590
Trade debts	8	1,522,956	1,437,371
Advances, deposits, prepayments and other receivables		538,671	561,011
Cash and bank balances		163,435	182,504
		3,132,232	2,948,288
		<u>3,573,351</u>	<u>3,381,271</u>


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the nine months ended September 30, 2016

	Note	July to September		January to September	
		2016	2015 (Rupees in thousand)	2016	2015
Sales		1,132,733	1,018,925	3,687,787	2,911,196
Cost of sales	9	(869,358)	(786,360)	(2,895,594)	(2,239,853)
Gross profit		263,375	232,565	792,193	671,343
Distribution and marketing expenses		(83,303)	(93,889)	(251,033)	(253,369)
Administration expenses		(53,270)	(48,491)	(161,584)	(137,784)
Other operating expenses		(8,874)	(9,024)	(31,069)	(28,667)
Other operating income		5,242	17,044	34,894	40,502
Profit / (Loss) from operations		123,170	98,205	383,401	292,025
Finance cost		(4,550)	(8,255)	(24,819)	(28,251)
Profit / (Loss) before taxation		118,620	89,950	358,582	263,774
Taxation		(30,074)	(34,002)	(103,786)	(80,426)
Profit / (Loss) for the period		88,546	55,948	254,796	183,348
Earnings / (Loss) per share - basic & diluted Rupees		6.71	4.24	19.30	13.89

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months ended September 30, 2016

	July to September		January to September	
	2016	2015	2016	2015
	(Rupees in thousand)			
Profit / (Loss) after taxation	88,546	55,948	254,796	183,348
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (Loss) for the period	88,546	55,948	254,796	183,348

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

Condensed Interim Cash Flow Statement (Un-audited)

For the nine months ended September 30, 2016

	Note	January to September	
		2016 (Rupees in thousand)	2015
Cash flows from operating activities			
Cash generated from operations	11	462,842	64,679
Finance costs paid		(26,652)	(36,514)
Taxes paid		(32,592)	(52,914)
Employees' retirement and other benefits paid		(10,766)	(12,043)
Net (increase) / decrease in long term loans and deposits		509	(1,212)
Net cash (used in)/from operating activities		393,341	(38,004)
Cash flows from investing activities			
Fixed capital expenditure		(62,561)	(95,896)
Proceeds from sale of property, plant and equipment		4,055	7,546
Net cash used in investing activities		(58,506)	(88,350)
Net cash used in financing activities		(91,766)	(65,384)
Net (decrease)/increase in cash and cash equivalents		243,069	(191,738)
Cash and cash equivalents at the beginning of the period		(198,868)	(163,239)
Cash and cash equivalents at the end of the period	12	44,201	(354,977)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chairman



Chief Executive

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

For the nine months ended September 30, 2016

	Share capital	General reserves	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2015	132,000	787,000	182,515	1,101,515
Final dividend for the year ended December 31, 2014 Rs 5 per share	-	-	(66,000)	(66,000)
Transfer to general reserve	-	116,000	(116,000)	-
Total comprehensive income/(loss) for the period	-	-	183,348	183,348
Balance as at Sep 30, 2015	132,000	903,000	183,863	1,218,863
Total comprehensive income/(loss) for the period	-	-	91,387	91,387
Balance as at December 31, 2015	132,000	903,000	275,250	1,310,250
Final dividend for the year ended December 31, 2015 Rs 7 per share	-	-	(92,400)	(92,400)
Transfer to general reserve	-	182,600	(182,600)	-
Total comprehensive income / (Loss) for the period	-	-	254,796	254,796
Balance as at Sep 30, 2016	132,000	1,085,600	255,046	1,472,646

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Information

For the nine months ended September 30, 2016 (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 the Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange Limited (formerly, Karachi and Lahore Stock Exchanges). The Company is a subsidiary of KSB Aktiengesellschaft and principally engaged in the manufacture and sale of industrial pumps, valves, castings and related parts. The registered office of the Company is situated at KSB Building, Sir Aga Khan Road, Lahore.

2.. Basis of preparation

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 and is being submitted to the shareholders in accordance with Section 245 of Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued by Companies Ordinance, 1984 have been followed. The figures for the half year ended June 30, 2016 have been subjected to limited scope review as required by above-mentioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

3. Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended December 31, 2015 except as described below:

3.1 Standards, amendments to published standards and interpretations effective in current year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The amendments and Interpretations which became effective during the year are considered not to be relevant the Company's operations and therefore are not detailed in these financial statements except for the amendments as explained below:

-Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)

-Annual improvements 2012-2014 cycle (amendments to various standards)

-Disclosure initiative (amendments to IAS 1)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates but the Company has not early adopted them. They are not expected to have a material impact on Company's financial statements.

Standards or interpretations:	Effective date (accounting periods beginning on or after)
IFRS 9, 'Financial Instruments'	January 1, 2018
IFRS 15 'Revenue from contracts with customers'	January 1, 2017

4. Taxation

- 4.1** Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.
- 4.2** Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid up capital and the company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

5. Trade and other payables

Trade creditors include amount due to holding company of Rs. 107.275 million (December 2015: 58.840 million) and associated undertakings of Rs. 13.589 (December 2015: 32.460 million).

6. Contingencies and commitments

6.1 Contingencies

The company has obtained bank guarantees of Rs. 1,375.60 million (December 2015: Rs 1200.220 million) against the performance of various contracts.

6.2 Commitments

Letters of credit other than for capital expenditure approximately Rs. 67.132 million (December 2015: Rs. 171.715 million).

	Note	September 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited) (Rupees in thousand)
7. Property, plant and equipment			
Opening net book value		406,779	354,761
Additions during the period	7.1	49,663	125,729
Deletions during the period		(3,563)	(11,098)
		452,879	469,392
Depreciation charged during the period		(49,744)	(62,613)
		403,135	406,779
7.1 Additions during the period			
Buildings on freehold land		-	19,165
Plant and machinery		23,184	19,305
Tools, jigs and attachments		286	1,367
Patterns		2,140	9,653
Other equipments		2,649	27,454
Furniture and fixtures		59	1,757
Office machine & appliances		3,574	6,721
Vehicles		17,771	40,307
		49,663	125,729

	September 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
8. Trade debts		
Trade debts	1,619,636	1,518,070
Provision for doubtful debts	(96,680)	(80,699)
	1,522,956	1,437,371

	July to September		January to September	
	2016	2015	2016	2015
	----- Unaudited ----- (Rupees in thousand)			
9. Cost of sales				
Raw material consumed	663,127	422,004	1,981,484	1,119,169
Salaries, wages, amenities and staff welfare	74,230	70,481	221,872	205,609
Staff training	210	87	2,059	560
Electricity and power	25,367	25,818	82,195	71,262
Stores and spares consumed	53,256	62,896	169,931	216,018
Insurance	2,494	1,979	6,964	5,150
Travelling and conveyance	13,618	11,954	42,799	34,259
Postage and telephone	1,515	1,063	4,340	3,509
Printing and stationery	597	455	1,994	2,450
Rent, rates and taxes	2,245	1,321	7,480	4,039
Repairs and maintenance	11,583	6,262	20,876	15,181
Legal & Professional charges	3,102	3,144	9,789	9,740
SAP user licence fee & other IT services	9,055	3,974	17,621	12,130
Packing expenses	7,208	9,654	22,798	20,283
Outside services	100,674	187,206	413,369	542,549
Depreciation on Property, plant and equipment	12,712	11,936	38,109	34,634
Provision for obsolete stores & stocks	1,500	1,500	4,500	6,500
Royalty	4,366	3,450	14,863	14,366
Other expenses	1,969	1,189	6,562	3,640
	988,828	826,373	3,069,605	2,321,048
Opening work-in-process				
Less: Closing work-in-process	-	-	321,285	224,275
(Increase)/ decrease in work in process	105,339	39,809	484,965	309,399
	(105,339)	(39,809)	(163,680)	(85,124)
Cost of goods manufactured				
Opening stock of finished goods				
Less: Closing stock of finished goods	-	-	18,970	22,934
Decrease/ (increase) in finished goods	14,131	204	29,301	19,005
	(14,131)	(204)	(10,331)	3,929
	869,358	786,360	2,895,594	2,239,853

9.1 This includes amount of Rs. 7.95 million (Sep 2015: 8.98 million) charged by the parent company (KSB Aktiengesellschaft) on account of various services provided to the company.

		January to September	
		2016	2015
		----- Unaudited -----	-----
		(Rupees in thousand)	
10.	Transactions with related parties		
	Relationship with the Company		
	Nature of transaction		
	i. Associated undertakings		
	Purchase of goods and services	220,007	140,529
	Sale of goods and services	234,635	163,112
	Commission income	7,874	24,796
	Commission expense	17,797	9,760
	Royalty and trademark	14,863	14,366
	ii. Post retirement benefit plans	30,648	8,286
	Expense charged	69,054	57,972
	iii. Key management personnel		
	Compensation		
	All transactions with related parties have been carried out on commercial terms and conditions.		
		September 30,	December 31,
		2016	2015
		Unaudited	Audited
		(Rupees in thousand)	
	Period end balances		
	Receivable from related parties	130,224	129,208
	Payable to related parties	228,557	212,618
		September 30,	September 30,
		2016	2015
		----- Unaudited -----	-----
		(Rupees in thousand)	
11.	Cash generated from operations		
	Profit before taxation	358,582	263,774
	Adjustment of non-cash items:		
	Depreciation on property, plant and equipment	49,744	45,582
	Depreciation on Investment property	160	160
	Amortization on Intangible assets	449	679
	Profit on sale of property, plant and equipment	(492)	(3,054)
	Employees' retirement and other benefits	11,084	14,723
	Provision for doubtful debts & receivables	17,376	38,028
	Stock-in-trade written off	4,500	6,500
	Provisions no longer considered necessary and unclaimed balances written back	(15,953)	-
	Finance cost	24,819	28,251
	Exchange (gain)/loss	4,620	6,322
	Profit before working capital changes	454,889	400,965
	Effect of cash flow due to working capital changes		
	(Increase)/decrease in current assets:		
	Stores, spares and loose tools	(20,458)	(7,975)
	Stock-in-trade	(123,810)	(146,523)
	Trade debts	(107,116)	(469,612)
	Advances, deposits, prepayments and other receivables	(43,842)	(123,202)
	Increase/(decrease) in current liabilities:		
	Trade and other payables	313,657	421,692
	Provisions for other liabilities and charges	(10,478)	(10,666)
		7,953	(336,286)
		462,842	64,679

12. Cash and cash equivalents

Cash and bank balances
Short term running finances - secured

September 30, 2016	September 30, 2015
----- Unaudited ----- (Rupees in thousand)	
163,435	68,062
(119,234)	(423,039)
44,201	(354,977)

13. Date of authorization for issue

This condensed interim financial information was authorized for issue on October 20, 2016 by the Board of Directors of the company.



Chairman



Chief Executive

BOOK POST
PRINTED MATTER

TO:



KSB Pumps Company Limited
Head Office: 16/2 - Sir Aqa Khan Road - Lahore
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