

Pumps · Valves · Service
KSB Pumps Company Limited

Quarterly Report (Un-Audited)
for the period ended September 30, 2013



Technology that drives success



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Company Information

BOARD OF DIRECTORS

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Werner Spiegel	
R. D. Ahmad	
Sajid Mahmood Awan	
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
Nadeem Hamid Butt	Projects
Syed Tariq Ali	Production

AUDITORS

A.F. Ferguson & Co.	Chartered Accountants
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LEGAL ADVISORS

Mandviwala & Zafar

BANKERS

Bank Alfalah Limited
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank Of Pakistan
NIB Bank Limited
United Bank Limited

AUDIT COMMITTEE

Hasan Aziz Bilgrami	Chairman
R. D. Ahmad	Member
Werner Spiegel	Member

SECRETARY AUDIT COMMITTEE

Saeed Hussain

REGISTERED OFFICE

16/2 Sir Aga Khan Road, Lahore - 54000.

Ph: (042) 36304173, 36370969

Fax: (042) 36368878, 36366192

Email: info@ksb.com.pk

Website: www.ksb.com.pk

WORKS

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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

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Fax: (021) 34326053

Sales Offices

Lahore

16/2 Sir Aga Khan Road Lahore.
 Ph: (042) 111 572 786, 36304173
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Golden Heights, Nusrat Road, Multan.
 Ph: (061) 111 572 786
 Fax: (061) 4541784
 Email: ksbul@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: ksbkhi@ksb.com.pk

KSB Partners

No.	FRANCHISE	ADDRESS	LOCATION	Cell #	Tele #	Fax	EMAIL
1	Standard Engineering Concern	25-Empress Road	Lahore	0321-4001255	0423- 63673881	042-36368011	kamran.razi@ksbpartners.com.pk
2	Industrial Development & Engineering Associates	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	Karachi	0300-8203077	021-35390481-2	021-35390483	saquib@idea.com.pk
3	Wali Muhammad & Co.	3rd Floor, Mall Tower, 35 The Mall	Peshawar	0300-5895289	091-5285679	091-5278919	franchise.kpk@ksb.com.pk
4	Wali Muhammad & Co.	Zonkiram Road near millennium Mall,	Quetta	0300- 8387668	081-2829635	081-2839721	gulistanmachinery@yahoo.com
5	Dominar Engineers	65-A Kacha Ferozepur Road,	Lahore	0302-874449	042-37500078	042-37500078	hammad.malik@de.com.pk

Directors' Review

The Company's financial statements for nine months ended 30th September, 2013 are presented herewith.

The Company has succeeded to post positive results despite impediments to business in the country, such as, struggling economy, deteriorating law & order situation, hike in energy prices and low Government spending. These factors also had an impact on order intake which remained low during the quarter.

For the period ended September 30, 2013, Company achieved turnover of Rs. 1.98 billion, with a Gross profit Rs. 440 million and profit after tax of Rs. 100 million.

Looking forward, a number of major business opportunities in Water/Waste Water, Industry and Construction sectors are expected to materialize within the last quarter of the year. Upcoming opportunities in Infrastructure and Industrial projects further strengthen our belief in achieving our business targets.

I appreciate the efforts of our committed team for coping with the economic challenges and consolidating our position in the market.



Mohammad Masud Akhtar
Managing Director

October 14, 2013
Lahore, Pakistan

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2013

	Note	September 30, 2013 (Un-audited) (Rupees in thousand)	December 31, 2012 Audited
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 15,000,000 (December 31, 2012: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital			
13,200,000 (December 31, 2012: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserve		682,000	678,000
Accumulated (loss)/ unappropriated profit		104,909	64,489
		918,909	874,489
NON-CURRENT LIABILITIES			
Employees' retirement and other benefits		20,843	18,744
Deferred liabilities		13,684	12,803
		34,527	31,547
CURRENT LIABILITIES			
Finances under mark-up arrangements - secured		185,712	233,370
Trade and other payables		1,141,924	1,086,064
Provision for other liabilities and charges		34,036	41,561
Accrued finance cost		3,135	6,233
		1,364,807	1,367,228
CONTINGENCIES AND COMMITMENTS	5		
		2,318,243	2,273,264

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

	Note	September 30, 2013 (Un-audited) (Rupees in thousand)	December 31, 2012 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	304,724	306,305
Investment property		1,279	1,439
Intangible Assets		2,069	1,910
Capital work in progress		3,061	1,360
Long term loans and deposits		11,436	10,552
Deferred taxation		20,589	23,148
		343,158	344,714
CURRENT ASSETS			
Stores, spares and loose tools		50,827	53,455
Stock-in-trade		492,661	584,776
Trade debts	7	987,466	920,735
Advances, deposits, prepayments and other receivables		346,545	293,010
Cash and bank balances		97,586	76,574
		1,975,085	1,928,550
		<u>2,318,243</u>	<u>2,273,264</u>


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the nine months ended September 30, 2013

	Note	July to September		January to September	
		2013	2012	2013	2012
		(Rupees in thousand)			
Sales		558,293	653,239	1,980,861	2,076,389
Cost of sales	8	(434,640)	(509,337)	(1,540,814)	(1,630,112)
Gross profit		123,653	143,902	440,047	446,277
Distribution & Marketing expenses		(54,848)	(56,145)	(175,556)	(166,192)
Administrative expenses		(37,899)	(34,476)	(115,220)	(99,760)
Other operating expenses		(11,337)	(4,032)	(24,683)	(19,938)
Other operating income		12,317	20,194	29,133	35,808
Profit from operations		31,886	69,443	153,721	196,195
Finance cost		(4,604)	(7,712)	(16,608)	(20,366)
Profit/ (loss) before tax		27,282	61,731	137,113	175,829
Taxation		(1,127)	(12,980)	(36,541)	(60,945)
Profit/ (loss) for the period		26,155	48,751	100,572	114,884
Earnings/ (loss) per share - basic and diluted	Rupees	1.98	3.69	7.62	8.70

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 12 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, 2013

	July to September		January to September	
	2013	2012	2013	2012
	(Rupees in thousand)			
Profit/ (loss) for the period	26,155	48,751	100,572	114,884
Other comprehensive income	-	1,468	(3,353)	4,636
Total comprehensive income/ (loss) for the period	26,155	50,219	97,219	119,520

The annexed notes 1 to 12 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, 2013

	Note	January to September	
		2013 (Rupees in thousand)	2012
Cash flows from operating activities			
Cash generated/(used) from operations	10	225,649	(99,606)
Finance cost paid		(19,707)	(15,499)
Taxes paid		(36,560)	(71,878)
Employees' retirement benefits paid		(1,141)	(7,309)
Payments for accumulating compensated absences		(10,896)	(2,549)
Net (increase)/decrease in long term loans and deposits		(884)	2,781
Net cash from/ (used in) operating activities		156,461	(194,061)
Cash flows from investing activities			
Fixed capital expenditure		(40,603)	(37,421)
Proceeds from sale of property, plant and equipment		5,367	7,701
Net cash used in investing activities		(35,236)	(29,720)
Cash flows from financing activities			
Dividend paid		(52,554)	(6)
Net cash used in financing activities		(52,554)	(6)
Net increase/ (decrease) in cash and cash equivalents		68,671	(223,787)
Cash and cash equivalents at beginning of the period		(156,796)	12,662
Cash and cash equivalents at the end of the period	11	(88,126)	(211,125)

The annexed notes 1 to 12 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, 2013

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at December 31, 2011	132,000	678,000	(106,021)	703,979
Effect of change in accounting policy - note 3.1	-	-	1,484	1,484
Balance as at December 31, 2011 - restated	132,000	678,000	(104,537)	705,463
Total comprehensive income for the period as previously stated	-	-	114,884	114,884
Remeasurement of defined benefit plans-net of tax	-	-	4,636	4,636
Total comprehensive income/(loss) for the period as restated	-	-	119,520	119,520
Balance as at September 30, 2012	132,000	678,000	14,983	824,983
Total comprehensive income for the period as previously stated	-	-	48,039	48,039
Remeasurement of defined benefit plans-net of tax	-	-	1,467	1,467
Total comprehensive income/(loss) for the period as restated	-	-	49,506	49,506
Balance as at December 31, 2012	132,000	678,000	64,489	874,489
Final dividend for the year ended December 31, 2012 Rs 4.00 per share	-	-	(52,800)	(52,800)
Transfer to general reserve	-	4,000	(4,000)	-
Profit / (Loss) for the period	-	-	100,572	100,572
Other comprehensive income/ (Loss) for the period	-	-	(3,353)	(3,353)
Total comprehensive income / (Loss) for the period	-	-	97,219	97,219
Balance as at September 30, 2013	132,000	682,000	104,909	918,909



Chairman



Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Information

For the nine months ended September 30, 2013

1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The Company is 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 and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standards (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for nine months ended Sep 30, 2013 have been subjected to limited scope review as required by abovementioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2012.

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, 2012 except as described below:

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

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans. The new policy is in accordance with the requirements of IAS 19 revised, 'Employee Benefits'. According to new policy, on remeasurements, actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset), are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by the credit in other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

Effect on balance sheet

	December 31, 2012	December 31, 2011
	(Rupees in thousand)	
(Decrease) / increase employees' retirement and other benefits	(4,952)	(2,283)
Decrease / (increase) advances, deposits, prepayments and other receivables	(4,087)	(550)
Decrease / (increase) deferred taxation	1,451	1,349
Advances, deposits, prepayments and other receivables	2,634	(550)
(Decrease) / increase unappropriated profit/(loss)	7,588	1,484

Impact on Statement of Changes in Equity

Cumulative effect from prior years- Net of tax	-	1,484
Impact for the year ended December 31, 2012	7,588	-

3.2 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 1, 2013 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.

4. 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.

5. Contingencies and commitments

5.1 Contingencies

The company has obtained bank guarantees of Rs. 310.049 million (December 2012: Rs 272.213 million) against the performance of various contracts.

5.2 Commitments

Letters of credit other than for capital expenditure approximately Rs. 29.172 million (December 2012: Rs. 16.910 million).

6 Property, plant and equipment

	September 30, 2013	December 31, 2012
	(Rupees in thousand)	
Opening book value	306,305	308,558
Add: Additions/transfers during the period	37,718	48,139
	344,023	356,697
Less: Disposals during the period (at book value)	(4,992)	(5,931)
Depreciation charged during the period	(34,307)	(44,460)
	(39,299)	(50,391)
	304,724	306,305

6.1 Following is the detail of additions/transfers during the period

Buildings on freehold land	-	-
Plant and machinery	3,594	5,642
Tools, jigs and attachments	896	2,387
Patterns	-	5,470
Other equipments	4,982	5,981
Furniture and fixtures	178	614
Office machine & appliances	7,107	4,151
Vehicles	20,961	23,893
	37,718	48,139

7. Trade debts

Trade debts	1,048,381	971,598
Provision for doubtful debts	(60,915)	(50,863)
	987,466	920,735

	July to September		January to September	
	2013	2012	2013	2012
	(Rupees in thousand)			
8. Cost of sales				
Raw material consumed	234,577	282,222	874,183	1,048,295
Salaries, wages, amenities and staff welfare	57,746	49,151	169,257	145,187
Staff training	165	545	744	897
Electricity and power	15,971	19,431	47,186	51,679
Stores and spares consumed	26,878	34,062	92,226	104,540
Insurance	482	533	1,834	1,896
Travelling and conveyance	10,265	7,590	27,923	21,825
Postage and telephone	1,278	887	3,327	2,904
Rent, rates and taxes	876	752	2,315	1,913
Repairs and maintenance	1,427	3,081	4,428	3,719
Legal & Professional charges	276	276	1,172	829
SAP user licence fee & other IT services	5,382	2,368	13,135	9,186
Packing expenses	4,929	7,229	18,329	15,212
Outside services	66,555	63,625	213,534	239,209
Depreciation on Property, plant and equipment	9,177	8,353	26,815	24,134
Provision for obsolete stores & stocks	1,500	10,516	7,000	21,631
Royalty	1,076	1,191	3,666	2,859
Other expenses	1,464	1,570	3,820	5,294
	440,023	493,382	1,510,895	1,701,209
Opening work-in-process				
Less: Closing work-in-process	-	-	204,835	149,565
(Increase)/ decrease in work in process	7,898	(7,268)	185,734	223,260
	(7,898)	7,268	19,102	(73,695)
Cost of goods manufactured				
Opening stock of finished goods				
Less: Closing stock of finished goods	-	-	44,164	52,510
Decrease/ (increase) in finished goods	(2,515)	(8,687)	33,346	49,912
	2,515	8,687	10,817	2,598
	434,640	509,337	1,540,814	1,630,112

		January to September	
		2013	2012
		(Rupees in thousand)	
9. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of goods and services	271,229	304,292
	Sale of goods and services	181,530	249,495
	Commission income	11,202	9,571
	Commission expense	18,328	18,557
	Royalty	3,666	2,859
ii. Post retirement benefit plans	Expense charged	11,139	15,042
iii. Key management personnel	Compensation	123,337	110,532

All transactions with related parties have been carried out on commercial terms and conditions.

	September 30,	December 31,
	2013	2012
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	122,330	155,790
Payable to related parties	135,990	163,102
These are in the normal course of business and are interest free.		
	January to September	
	2013	2012
	(Rupees in thousand)	
10. Cash generated from operations		
Profit/(Loss) before taxation	137,113	175,829
Adjustment of non-cash items:		
Depreciation on property, plant and equipment	34,307	32,388
Depreciation on Investment property	160	160
Depreciation on Intangible assets	1,025	1,562
Profit on sale of property, plant and equipment	(375)	(2,407)
Accumulating compensated absences	2,022	2,958
Employees' retirement and other benefits	7,836	8,612
Provision for doubtful debts & receivables	11,177	10,054
Provision for stock-in-trade	7,000	21,631
Provisions no longer considered necessary and unclaimed balances written back	-	(2,583)
Finance cost	16,608	20,366
Exchange (gain)/loss	7,766	(8,139)
Working capital changes	1,008	(360,037)
	225,649	(99,606)
10.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	2,628	(13,822)
Stock-in-trade	85,115	(233,777)
Trade debts	(76,782)	(140,373)
Advances, deposits, prepayments and other receivables	(50,276)	(24,403)
	(39,315)	(412,375)
Increase/(decrease) in current liabilities:		
Trade and other payables	47,848	47,798
Provisions for other liabilities and charges	(7,525)	4,540
	1,008	(360,037)
11. Cash and cash equivalents		
Cash and cash equivalents comprise the following items:		
Cash and bank balances	97,586	39,930
Short term finances	(185,712)	(251,055)
	(88,126)	(211,125)
12. Date of authorisation for issue		

This condensed interim financial information was authorised for issue on October 14, 2013 by the Board of Directors of the Company.



Chairman



Chief Executive



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PRINTED MATTER

More Space for Solutions.

Pumps • Valves • Service



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