

Pumps • Valves • Service
KSB Pumps Company Limited

Quarterly Report (Un-Audited)
for the 1st quarter ended March 31, 2013

More Space for Solutions.
Pumps • Valves • Service



Technology that drives success



KSB Pumps Company Limited
16/2, Sir Aga Khan Road, Lahore
Telephone: +92 42 3630 4173, Fax: +92 42 3636 8878
UAN: 111 572 786, Email: info@ksb.com.pk, URL: www.ksb.com.pk



Contents

	Page
Company Information	2
<hr/>	
Sales Offices	4
<hr/>	
Directors' Review	5
<hr/>	
Condensed Interim Balance Sheet	6
<hr/>	
Condensed Interim Profit and Loss Account	8
<hr/>	
Condensed Interim Statement of Comprehensive Income	9
<hr/>	
Condensed Interim Cash Flow Statement	10
<hr/>	
Condensed Interim Statement of Changes in Equity	11
<hr/>	
Notes to the Condensed Interim Financial Statements	12
<hr/>	

Company Information

Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Werner Spiegel	
R. D. Ahmad	
Sajid Mahmood Awan	
Hasan Aziz Bilgrami	
Aizaz Sarfraz	
Engr. M. Abdul Jabbar	(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
---------------------	-----------------------

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

Kh. Faisal Rasheed

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

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: ksbmul@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	Ghani Enterprises	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 mellennium 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

I feel pleasure to present the Company's financial statements for the 1st Quarter ended 31st March, 2013.

In 1st Quarter of the year 2013, performance has been remarkable for KSB in terms of sales and profit as we have exceeded our budgeted figures for the 1st quarter of the year 2013.

The key performance indicators are:

- **Sales:** Rs. 709 million; an increase of 13% as compared to corresponding period last year.
- **Gross profit:** Rs. 154 million; an increase of 27% as compared to last year.
- **Net profit before tax:** Rs. 50 million; a significant increase of Rs. 31% as compared to 1st quarter of the year 2012.
- **Earnings per share:** Rs. 2.56 against last year of Rs. 1.89.

Government spending is on hold due to upcoming elections in the 2nd Quarter of the year 2013 and this has effected order intake. Our focus is on high end engineered market, Foundry business and export during this period to maintain the momentum of growth.

I recognize the efforts of our devoted team on achieving the targeted results in 1st quarter of the year 2013.



Mohammad Masud Akhtar
Managing Director

April 24, 2013
Lahore, Pakistan

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2013

	Note	March 31, 2013 (Rupees in thousand)	December 31, 2012
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (2012: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital 13,200,000 (2012: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserves		678,000	678,000
Unappropriated profit		90,681	56,902
		900,681	866,902
NON CURRENT LIABILITIES			
Employees' retirement and other benefits		25,650	23,695
Deferred Liabilities		15,128	12,803
		40,778	36,498
CURRENT LIABILITIES			
Short term running finances - secured		189,794	233,370
Trade and other payables		1,278,574	1,086,064
Provisions for other liabilities and charges		52,464	41,561
Accrued finance cost		5,184	6,233
		1,526,017	1,367,228
CONTINGENCIES AND COMMITMENTS			
	5		
		2,467,475	2,270,628

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

	Note	March 31, 2013 (Rupees in thousand)	December 31, 2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	299,610	306,305
Investment property		1,386	1,439
Intangible assets		1,519	1,910
Capital work in progress		1,221	1,360
Long term loans and deposits		11,921	10,552
Deferred taxation		24,599	24,599
		340,256	346,165
CURRENT ASSETS			
Stores, spares and loose tools		49,219	53,455
Stock in trade		579,396	584,776
Trade debts		1,075,143	920,735
Advances, deposits, prepayments and other receivables		312,651	288,923
Cash and bank balances		110,811	76,574
		2,127,220	1,924,463
		<u>2,467,475</u>	<u>2,270,628</u>



Chairman



Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the 1st Quarter ended March 31, 2013

	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
Sales	709,183	625,190
Cost of sales	(555,287)	(503,596)
Gross profit	153,896	121,594
Distribution and marketing expenses	(62,730)	(46,075)
Administration expenses	(39,393)	(35,049)
Other operating expenses	(6,784)	(3,750)
Other operating income	11,556	7,135
Profit / (Loss) from operations	56,545	43,855
Finance cost	(6,210)	(5,513)
Profit / (Loss) before taxation	50,335	38,342
Taxation	(16,556)	(13,420)
Profit / (Loss) for the period	33,779	24,922
Earnings / (Loss) per share - basic & diluted Rupees	2.56	1.89

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Chairman



Chief Executive

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the 1st Quarter ended March 31, 2013

	March 31, 2013 (Rupees in thousand)	March 31, 2012
Profit / (Loss) after taxation	33,779	24,922
Other comprehensive income for the period	-	-
Total comprehensive income / (Loss) for the period	33,779	24,922

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2013

	Note	January to March	
		2013 (Rupees in thousand)	2012
Cash flows from operating activities			
Cash generated from operations	7	104,864	(59,090)
Finance costs paid		(7,258)	(2,971)
Taxes paid		(13,371)	(23,003)
Payments for accumulating compensated absences		-	(758)
Employees' retirement and other benefits paid		(1,106)	(1,943)
Net (increase) / decrease in long term loans and deposits		(1,369)	777
Net cash from / (used in) operating activities		81,759	(86,989)
Cash flows from investing activities			
Fixed capital expenditure		(6,263)	(13,119)
Proceeds from sale of property, plant and equipment		2,318	4,709
Net cash used in investing activities		(3,946)	(8,410)
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		77,814	(95,399)
Cash and cash equivalents at the beginning of the period		(156,797)	12,663
Cash and cash equivalents at the end of the period	8	(78,983)	(82,736)

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

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

For the 1st Quarter ended March 31, 2013

	Share capital	General reserves	Unappropriated profit/(loss)	Total
	(Rupees in thousand)			
Balance as at January 1, 2012	132,000	678,000	(106,021)	703,979
Total comprehensive income / (loss) for the period			24,922	24,922
Balance as at March 31, 2012	132,000	678,000	(81,099)	728,901
Total comprehensive income / (loss) for the period	-	-	138,001	138,001
Balance as at December 31, 2012	132,000	678,000	56,902	866,902
Total comprehensive income / (loss) for the period			33,779	33,779
Balance as at March 31, 2013	132,000	678,000	90,681	900,681

The annexed notes 1 to 11 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 1st Quarter ended March 31, 2013 (Un-audited)

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. 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

3.1 The accounting policies adopted for the preparation of this 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.

3.2 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:

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

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets is effective for annual periods beginning on or after July 1, 2011. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset. The Company has determined that there is no significant transfer of financial assets that require disclosure under the guidance above.

The other new standards amendments and interpretations that are mandatory for accounting period beginning on or after January 01, 2012 are considered not to be relevant or to have any significant impact on company's financial reporting and operations."

- Amendment to IAS 12, 'Income taxes' on deferred tax, is effective for annual periods beginning on or after January 1, 2012. Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

3.3 Standards, amendments to published standards and interpretations that are effective in current year but not applicable/relevant to the Company

Standards or Interpretation

Effective date (accounting periods beginning on or after)

Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates
Amendment to IAS 12, 'Income taxes', on deferred tax

July 1, 2011
January 1, 2012

3.3.1 Standards, amendments and interpretations to existing standards that are not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
Amendment to IAS 32,'Financial instruments: Presentation'	January 1, 2014
IFRS 9,'Financial instruments	January 1, 2015

3.4 Standards, amendments and interpretations to existing standards that are not yet relevant to the Company's operations and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
- Amendment to IFRS 1, 'First time adoption', on government loans	January 1, 2013
-Amendment to IFRSs 10, 11 and 12 on transition guidance	January 1, 2013
- IFRS 10,'Consolidated financial statements'	January 1, 2013
- IFRS 11,'Joint arrangements	January 1, 2013
- IFRS 12,'Disclosures of interests in other entities'	January 1, 2013
- IFRS 13, Fair value measurement	January 1, 2013
- IAS 27 (revised 2011),'Separate financial statements'	January 1, 2013
- IAS 28 (revised 2011),'Associates and joint ventures	January 1, 2013
- IFRIC 20,'Stripping costs in the production phase of a surface mine'	January 1, 2013
- Amendment to IFRS 7, 'Financial instruments: Disclosures'	January 1, 2013

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. 309.156 million (December 2012: Rs 386.958 million) against the performance of various contracts.

5.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs. 39.94 million (December 2012: Rs. 43.309 million).

6. Property, plant and equipment

	March 31, 2013 (Rupees in thousand)	December 31, 2012
Opening net book value	306,305	308,558
Additions during the period	6,374	48,139
Deletions during the period	(1,820)	(5,931)
	310,859	350,765
Depreciation charged during the period	(11,249)	(44,460)
Closing net book value	299,610	306,305

- note 6.1

	March 31, 2013 (Rupees in thousand)	December 31, 2012
6.1 Additions during the period		
Plant and machinery	2,487	5,642
Tools, jigs and attachments	-	2,387
Patterns	-	5,470
Other equipments	1,682	5,981
Furniture and fixtures	37	614
Office machine & appliances	1,518	4,151
Vehicles	650	23,893
	6,374	48,139
	March 31, 2013 (Rupees in thousand)	March 31, 2012
7. Cash generated from operations		
Profit before taxation	50,335	38,342
Adjustment of non-cash items:		
Depreciation on property, plant and equipment	11,249	10,761
Depreciation on Investment property	53	53
Amortization on Intangible assets	420	869
Profit on sale of property, plant and equipment	(498)	(1,468)
Accumulating compensated absences	2,325	944
Employees' retirement and other benefits	3,061	2,871
Provision for doubtful debts & receivables	2,564	4,049
Stores, spares and loose tools written off	-	600
Stock-in-trade written off	4,000	900
Finance cost	6,210	5,513
Exchange (gain)/loss	(7,343)	(1,172)
Profit before working capital changes	72,377	62,263
Effect of cash flow due to working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	4,236	(10,427)
Stock-in-trade	1,380	(74,744)
Trade debts	(149,284)	(45,372)
Advances, deposits, prepayments and other receivables	(27,258)	(87,885)
Increase/(decrease) in current liabilities:		
Trade and other payables	192,510	88,448
Provisions for other liabilities and charges	10,903	8,627
	32,487	(121,353)
	104,864	(59,090)

8. Cash and cash equivalents

	March 31, 2013 (Rupees in thousand)	March 31, 2012
Cash and bank balances	110,811	140,488
Short term running finances - secured	(189,794)	(223,224)
	<u>(78,983)</u>	<u>(82,736)</u>

9. Transactions with related party

Purchase of goods and services	190,334	130,170
Sale of goods and services	129,539	16,799
Commission income	45	-
Commission expense	13,211	2,105
Royalty	736	884
Expense charged in respect of retirement benefit plan	3,061	2,871
Key management personnel compensation	41,325	36,985

Period-end balances

	March 31, 2013 (Rupees in thousand)	December 31, 2012
Receivable from related parties	231,028	155,790
Payable to related parties	237,914	163,102

10. Date of authorization for issue

This condensed interim financial information was authorized for issue on April 24, 2013 by the Board of Directors of the company.

11. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.



Chairman



Chief Executive

