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KSB Pumps Company Limited

Quarterly Report (Un-Audited)
for the period ended September 30, 2012

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TO:



KSB Pumps Company Limited
16/2, Sir Aga Khan Road, Lahore
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UAN: 111 572 786, Email: info@ksb.com.pk, URL: www.ksb.com.pk

Maikhdooms 048-37595165



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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	
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
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Legal Advisors

Mandviwala & Zafar

Bankers

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

Audit Committee

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

Secretary

Kh. Faisal Rasheed	Head Internal Audit
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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: 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	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 millennium Mall,	Quetta	0300- 8387668	081-2829635	081-2839721	gulistanmachinery@yahoo.com

Directors' Review

I feel pleasure to present the Company's financial statements for the period ended 30th September, 2012.

KSB Pakistan has improved its sales revenue with an exponential increase as compared with the previous year. Company has recorded a remarkable sales revenue growth especially in the Industry, Construction and Water & Waste Water segments.

The key performance indicators are:

- **Sales:** Rs. 2.08 billion; an increase of 51% as compared to corresponding period last year.
- **Gross profit:** Rs. 447.06 million; a momentous increase of 90% as compared to last year.
- **Net profit before tax:** Rs. 175.83 million; as compared to loss of Rs. 118.61 million up-to 3rd quarter of the year 2011.
- **Earnings per share:** Rs. 8.70 against last year of Rs. (7.46).

KSB Pakistan successfully completed Tube-well Efficiency Improvement and CDA Projects funded by USAID for replacement of Deep-well turbine & submersible pumps.

The CDWA project is still on hold and we are trying to find an amicable solution with the Government.

KSB is aiming to achieve, the highest ever order intake in the year 2012 despite the unfavorable economic trends. Our focus remains standard and high-end engineered market for Industry, Energy, Construction and Water & Waste Water.

Extensive marketing campaign for alternate channels including dealers' network and KSB Partners was conducted. Focus groups for building segment were also carried out in Central region.

I truly appreciate the sincere efforts of our team for achieving excellent results in 3rd quarter of the year 2012.



Mohammad Masud Akhtar

Managing Director

October 16, 2012

Lahore, Pakistan.

Condensed Interim Balance Sheet (Un-audited) As at September 30, 2012

	Note	September 30, 2012 (Rupees in thousand)	December 31, 2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 15,000,000 (December 31, 2011: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital 13,200,000 (December 31, 2011: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserve		678,000	678,000
Accumulated (loss)/ unappropriated profit		8,863	(106,021)
		818,863	703,979
NON-CURRENT LIABILITIES			
Employees' retirement and other benefits		22,991	21,688
Deferred liabilities		14,167	13,758
		37,158	35,446
CURRENT LIABILITIES			
Finances under mark-up arrangements - secured		251,055	57,791
Trade and other payables	5	1,218,382	1,173,173
Provision for other liabilities and charges		29,852	25,312
Accrued finance cost		6,763	1,896
		1,506,051	1,258,172
CONTINGENCIES AND COMMITMENTS			
	6		
		2,362,073	1,997,597

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

	Note	September 30, 2012 (Rupees in thousand)	December 31, 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	308,278	308,558
Investment property		1,493	1,652
Intangible Assets		2,073	2,150
Capital work in progress		2,645	4,111
Long term loans and deposits		10,164	12,945
Deferred taxation		7,755	36,814
		332,408	366,230
CURRENT ASSETS			
Stores, spares and loose tools		49,756	37,134
Stock-in-trade		612,530	399,184
Trade debts	8	1,005,901	866,753
Advances, deposits, prepayments and other receivables		321,548	257,843
Cash and bank balances		39,930	70,453
		2,029,665	1,631,367
		2,362,073	1,997,597


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited) For the Nine Months ended September 30, 2012

	Note	July to September		January to September	
		2012	2011 (Rupees in thousand)	2012	2011
Sales		653,239	457,005	2,076,389	1,375,635
Cost of sales	9	(509,166)	(384,414)	(1,629,330)	(1,140,347)
Gross profit		144,073	72,591	447,059	235,288
Distribution & Marketing expenses		(58,384)	(54,836)	(173,647)	(151,239)
Administrative expenses		(34,587)	(28,887)	(100,542)	(88,982)
Other operating expenses		(1,853)	(83,686)	(12,483)	(133,806)
Other operating income		20,194	11,030	35,808	33,664
Profit / (loss) from operations		69,443	(83,788)	196,195	(105,075)
Finance cost		(7,712)	(3,937)	(20,366)	(13,539)
Profit/ (loss) before tax		61,731	(87,725)	175,829	(118,614)
Taxation		(12,980)	7,539	(60,945)	20,148
Profit/ (loss) for the period		48,751	(80,186)	114,884	(98,466)
Earnings/ (loss) per share - basic and diluted	Rupees	3.69	(6.07)	8.70	(7.46)

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

The annexed notes 1 to 14 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, 2012

	July to September		January to September	
	2012	2011	2012	2011
	(Rupees in thousand)			
Profit/ (loss) for the period	48,751	(80,186)	114,884	(98,466)
Other comprehensive income	-	-	-	-
Total comprehensive income/ (loss) for the period	48,751	(80,186)	114,884	(98,466)

The annexed notes 1 to 14 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, 2012

		January to September	
Note	2012 (Rupees in thousand)	2011	
Cash flows from operating activities			
	11	(99,606)	215,058
		(15,499)	(18,380)
		(71,878)	(37,636)
		(2,549)	(6,927)
		(7,309)	(1,387)
		2,781	1,111
		(194,061)	151,839
Cash flows from investing activities			
		(37,421)	(49,775)
		7,701	4,267
		(29,720)	(45,508)
Cash flows from financing activities			
		(6)	(16,433)
		(6)	(16,433)
		(223,787)	89,898
		12,662	(1,626)
	12	(211,125)	88,272

The annexed notes 1 to 14 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, 2012

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2011	132,000	594,000	100,600	826,600
Final dividend for the year ended December 31, 2010 Rs 1.25 per share	-	-	(16,500)	(16,500)
Total comprehensive income/(loss) for the period			(98,466)	(98,466)
Transfer to general reserve	-	84,000	(84,000)	-
Balance as at Sep 30, 2011	132,000	678,000	(98,365)	711,635
Total comprehensive income/(loss) for the period	-	-	(7,655)	(7,655)
Balance as at December 31, 2011	132,000	678,000	(106,021)	703,979
Total comprehensive income / (Loss) for the period	-	-	114,884	114,884
Balance as at Sep 30, 2012	132,000	678,000	8,863	818,863

The annexed notes 1 to 14 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, 2012

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, 2011.

3. Accounting Policies

3.1 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, 2011.

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

IFRS 7- Financial Instruments - These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will 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 securitization of financial asset. This amendment is effective for periods beginning on or after July 1, 2011. The amendment is not expected to have a material impact on the company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

3.1.3 Standards, amendments and interpretations to existing standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after their respective dates:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 19 - Employee benefits	January 1, 2013
IFRS 9 - Financial instruments	January 1, 2015
IFRS 7 - Financial instruments: Disclosures	January 1, 2013
IAS 32 - Financial instruments : Presentation	January 1, 2013
IAS 32 - Financial instruments: Presentntation', on offsetting financial assets and financial liabilities	January 1, 2014

3.1.4 Standards and interpretations to existing standards that are not relevant to the company and not yet effective

The following standards, amendments and interpretations to published approved accounting standards, effective for annual accounting periods beginning on or after the dates specified below are either not applicable or relevant to the Company's operations or are not expected to have significant impact on the company's financial statements other than enhanced disclosures in certain cases.

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Financial statement presentation	July 1, 2012
IAS 27 - (revised), 'Separate financial statements'	January 1, 2013
IAS 28 - (revised), 'Associate and joint venture'	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
IFRS 1 - 'First time adoption', on government loans	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. Trade and other payables

Trade creditors include amount due to holding company of Rs 160.70 million (December 2011: Rs 65.486 million) and associated undertakings of Rs 30.86 million (December 2011: Rs 3.329 million).

6. Contingencies and commitments

6.1 Contingencies

The company has obtained bank guarantees of Rs 349.887 million (December 2011: Rs 275.124 million) against the performance of various contracts.

6.2 Commitments

Letters of credit other than for capital expenditure Rs 40.08 million (December 2011: Rs 35.670 million).

7. Property, plant and equipment

		September 30, 2012 (Rupees in thousand)	December 31, 2011
Opening book value		308,558	292,199
Add: Additions/transfers during the period	- note 7.1	37,402	70,100
		345,959	362,299
Less: Disposals during the period (at book value)		(5,294)	(13,148)
Depreciation charged during the period		(32,387)	(40,594)
		(37,681)	(53,741)
		308,278	308,558

	September 30, 2012 (Rupees in thousand)	December 31, 2011
7.1 Following is the detail of additions/transfers during the period		
Buildings on freehold land	-	21,534
Plant and machinery	5,642	12,279
Tools, jigs and attachments	1,875	288
Patterns	941	4,062
Other equipments	4,518	8,840
Furniture and fixtures	131	2,459
Office machine & appliances	4,619	2,632
Vehicles	19,676	18,006
	37,402	70,100
8. Trade debts		
Trade debts	1,067,380	926,117
Less: Provision for doubtful debts	(61,479)	(59,364)
	1,005,901	866,753

	July to September		January to September	
	2012	2011	2012	2011
	(Rupees in thousand)			
9. Cost of sales				
Raw material consumed	282,222	231,527	1,048,295	651,199
Salaries, wages, amenities and staff welfare	49,151	42,956	145,187	128,960
Staff training	545	12	897	221
Electricity and power	19,431	14,553	51,679	41,985
Stores and spares consumed	34,062	19,073	104,540	58,193
Insurance	533	1,053	1,896	2,273
Travelling and conveyance	7,590	5,379	21,825	18,798
Postage and telephone	887	1,110	2,904	2,971
Rent, rates and taxes	581	527	1,131	1,695
Repairs and maintenance	3,081	786	3,719	2,766
Legal & Professional charges	2,644	1,049	10,015	3,689
Packing expenses	7,229	3,903	15,212	10,719
Outside services	63,625	62,524	239,209	162,762
Depreciation on property, plant and equipment	8,353	8,919	24,134	24,166
Amortization of Intangible assets	-	628	-	1,928
Provision for obsolete stores & stocks	10,516	1,500	21,631	4,500
Royalty	1,191	630	2,859	1,692
Other expenses	1,570	821	5,294	2,742
	493,211	396,951	1,700,427	1,121,260
Opening work-in-process	-	-	149,565	139,419
Less: Closing work-in-process	(7,268)	5,139	223,260	132,990
(Increase)/ decrease in work in process	7,268	(5,139)	(73,695)	6,429
Opening stock of finished goods	-	-	52,510	92,540
Less: Closing stock of finished goods	(8,687)	7,398	49,912	79,882
Decrease/ (increase) in finished goods	8,687	(7,398)	2,598	12,658
	509,166	384,414	1,629,330	1,140,347

		January to September	
		2012	2011
		(Rupees in thousand)	
10.	Transactions with related parties		
	Relationship with the Company		
	Nature of transaction		
	i. Associated undertakings		
	Purchase of goods and services	304,292	61,229
	Sale of goods and services	249,495	92,587
	Commission income	9,571	9,322
	Commission expense	18,557	12,283
	Royalty	2,859	1,692
	ii. Post retirement benefit plans	15,042	11,634
	iii. Key management personnel	110,532	101,874

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

	September 30,	December 31,
	2012	2011
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	174,852	40,031
Payable to related parties	191,560	70,651

These are in the normal course of business and are interest free.

		January to September	
		2012	2011
		(Rupees in thousand)	
11.	Cash generated from operations		
	Profit/(Loss) before taxation	175,829	(118,614)
	Adjustment of non-cash items:		
	Depreciation on property, plant and equipment	32,388	30,257
	Depreciation on Investment property	160	160
	Depreciation on Intangible assets	1,562	2,607
	Profit on sale of property, plant and equipment	(2,407)	(1,151)
	Accumulating compensated absences	2,958	2,539
	Employees' retirement and other benefits	8,612	9,270
	Provision for doubtful debts & receivables	10,054	12,374
	Stores, spares and loose tools written off	1,200	1,500
	Stock-in-trade written off	20,431	3,000
	Provisions no longer considered necessary and unclaimed balances written back	(2,583)	(7,162)
	Finance cost	20,366	13,539
	Exchange (gain)/loss	(8,139)	-
	Working capital changes	(360,037)	266,739
		<u>(99,606)</u>	<u>215,058</u>

January to September

	2012 (Rupees in thousand)	2011
11.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(13,822)	(422)
Stock-in-trade	(233,777)	79,216
Trade debts	(140,373)	(117,216)
Advances, deposits, prepayments and other receivables	(24,403)	(43,172)
	(412,375)	(81,594)
Increase/(decrease) in current liabilities:		
Trade and other payables	47,798	356,610
Provisions for other liabilities and charges	4,540	(8,277)
	(360,037)	266,739
12. Cash and cash equivalents		
Cash and cash equivalents comprise the following items:		
Cash and bank balances	39,930	122,903
Short term finances	(251,055)	(34,631)
	(211,125)	88,272

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 16, 2012 by the Board of Directors of the Company.

14. Corresponding figures

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



Chairman



Chief Executive