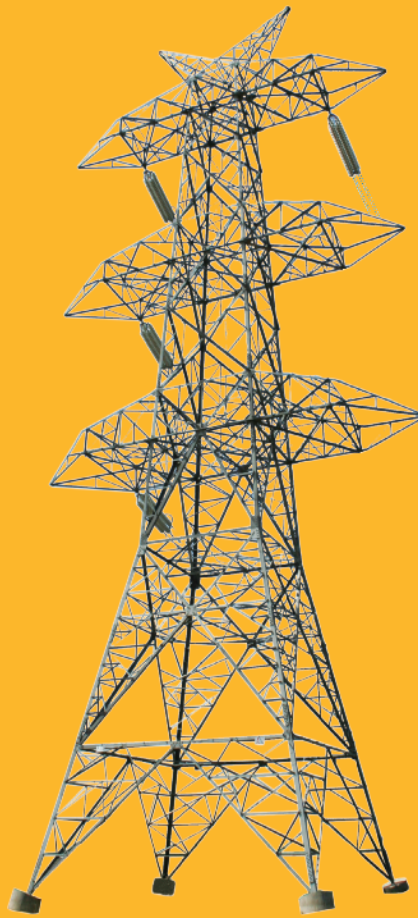


# Quarterly Report

31 March 2014



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**PAKISTAN ENGINEERING COMPANY LIMITED**

## COMPANY INFORMATION

QUARTERLY REPORT 2014

### Board of Directors

Mr. Muhammad Arif Azim  
(Chairman)  
Mr. Shafqat-ur-Rehman Ranjha  
(Managing Director)  
Mr. Arif Ibrahim  
Mr. Muhammad Arif Habib  
Mr. Rashid Ali Khan  
Mr. Liaqat Mohammad  
Mr. Muhammad Iqbal  
Mirza Mahmood Ahmad  
Mr. Muhammad Iqbal Awan

### Board Audit Committee

Mirza Mahmood Ahmad (Chairman)  
Mr. Liaqat Mohammad  
Mr. Muhammad Iqbal  
Mr. Muhammad Iqbal Awan

### Board Finance Committee

Mr. Rashid Ali Khan (Chairman)  
Mr. Muhammad Arif Habib  
Mr. Arif Ibrahim

### Board HR & Remuneration Committee

Mr. Muhammad Arif Azim  
(Chairman)  
Mr. Arif Ibrahim  
Mr. Muhammad Iqbal  
Mr. Muhammad Iqbal Awan

### CFO & Company Secretary

Mian Anwar Aziz

### Auditors

M/s. Fazal Mahmood & Co.  
Chartered Accountants

### Bankers

National Bank of Pakistan  
United Bank Limited  
Summit Bank

### Legal Advisor

Sardar Zulfiqar Umar Khan Tahim

### Registered Office

6/7-Sir Ganga Ram Trust Building,  
Shahrah-e-Quaid-e-Azam, Lahore.

Phones : 042 37 32 0225-7

Fax No. : 042 37 32 3108

E-Mail : [info@peco.com.pk](mailto:info@peco.com.pk)

Website : <http://www.peco.com.pk>

Plants : Kot Lakhpat

Lahore.

### Share Registrar:

M/s. Scarlet IT System (Pvt) Ltd.  
24-Ferozpur Road,  
Near Mozang Chungi,  
Lahore.

## DIRECTOR'S REPORT

Dear Shareholders,

Assalam-o-Alakum

On behalf of the Board of Directors of Pakistan Engineering Company Limited (PECO), I am pleased to submit the report and the condensed interim financial information of the Company for the nine months' period ended 31 March 2014.

### **Performance Outlook**

During the period under review, the performance of the Company has been weak due to few orders in hand at the beginning of the year, non-renewal of our credit facilities by the banks, intensive competition, low production and unstable economic conditions at the national level. The turnover of the company could not reach the desired level but the quarter ended 31 March 2014 shows a little improvement as compared to previous year quarter ended 31 March 2013. Sales of Pumps and Motors also remained on the lower side. For the last quarter of year 2013-14, management of PECO is working hard to improve the performance and productivity of the company.

### **Financial Performance**

The sales revenue for nine months ended on 31 March 2014 is Rs. 67.82 million against Rs. 354.44 million of the same period last year - a decrease of Rs. 286.62 million (81%). But the revenue for three months ended 31 March 2014 has increased by Rs. 18.37 million (85.80%) compared to previous year's quarter ended 31 March 2013. During the period under review, there has been a gross loss of Rs. 64.92 million against the gross loss of Rs. 42.38 million for the corresponding period last year. This was mainly due to the higher input costs viz raw materials, electricity, furnace oil and lesser production.

Operating expenses during the period have been Rs. 40 million against Rs. 36 million for the same period last year, an increase of Rs. 04 million (11%).

Loss after taxation was Rs. 68.99 million against loss of Rs. 69.19 million for the similar period last year, a decrease of Rs. 0.201 million.

### **Future Outlook**

The current orders in hand and in pipeline worth Rupees 1,201 million with WAPDA, NATRACON, DESCOs and NTDC are at good prices with reasonable margins. The Management of Company is working hard to increase production and minimize production costs. Keeping in view the aforesaid orders position and prospective business of transmission line and telecommunication towers, it is hoped that performance of the company during the rest of the year would be relatively better.

### **Acknowledgement**

We wish to thank our valuable shareholders, WAPDA, banks, financial institutions, suppliers and regulators for their trust and faith in the Company. We bank on their support for the Company to grow and perform better in the future.

We also appreciate the efforts of the management for improving performance in all areas of operations. We also take this opportunity to thank our Board, executives and staff members for their consistent support, hard work and commitment.

On behalf of the Board

Dated: 30 April 2014  
Lahore

Shafqat-ur-Rehamn Ranjha  
(Managing Director)

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT 31 MARCH 2014

	31 March 2014	30 June 2013
	.....(Rupees in '000).....	
<b>ASSETS</b>		
<b>NON - CURRENT ASSETS</b>		
Property, plant and equipment	8,640,473	8,663,363
Long term security investment	624	624
Long term security deposits	964	964
	8,642,061	8,664,951
<b>LAND HELD FOR SALE</b>	314,724	314,724
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	133,422	129,279
Stock-in-trade	214,066	191,326
Trade debts	113,197	136,869
Loans & Advances	6,439	4,781
Trade deposits, prepayments & other receivables	37,283	40,898
Advance income tax	31,836	31,359
Cash and bank balances	7,863	71,333
	544,106	605,845
<b>TOTAL ASSETS</b>	9,500,891	9,585,520
 <b>EQUITY &amp; LIABILITIES</b>		
<b>SHARE CAPITAL &amp; RESERVES</b>		
SHARE CAPITAL	56,902	56,902
REVENUE RESERVE - GENERAL	10,000	10,000
ACCUMULATED LOSS	(1,257,941)	(1,203,064)
	(1,191,039)	(1,136,162)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	8,581,535	8,595,650
<b>NON - CURRENT LIABILITIES</b>		
GOVERNMENT OF PAKISTAN LOANS - SECURED	1,790,848	1,790,848
LONG TERM BORROWINGS - SECURED	-	-
DEFERRED TAX LIABILITY - NET	63,030	109,657
	1,853,878	1,900,505
<b>CURRENT LIABILITIES</b>		
Trade & other payables	138,655	111,031
Mark-up accrued - on short term borrowing	9,511	3,115
Short term borrowing - secured	108,351	108,351
Current maturity of long term borrowings	-	3,030
Provision for taxation - net	-	-
	256,517	225,527
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	9,500,891	9,585,520

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

SHAFQAT-UR-REHMAN RANJHA  
(MANAGING DIRECTOR)

MUHAMMAD IQBAL  
(DIRECTOR)

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)



FOR THE NINE MONTHS PERIOD ENDED

31 MARCH 2014

	Note	Quarter ended 31 March		Nine Months ended 31 March	
		2014	2013	2014	2013
.....(Rupees in '000).....					
Sales - net		39,785	21,413	67,824	354,443
Less: Cost of sale	5	67,857	32,620	132,747	396,824
<b>GROSS (LOSS) / PROFIT</b>		<b>(28,072)</b>	<b>(11,207)</b>	<b>(64,923)</b>	<b>(42,381)</b>
Selling & distribution expenses		(1,058)	(1,364)	(3,151)	(4,054)
Freight and forwarding expenses		(74)	(59)	(143)	(584)
Administrative expenses		(12,601)	(10,997)	(36,537)	(31,698)
		<b>(13,733)</b>	<b>(12,420)</b>	<b>(39,831)</b>	<b>(36,336)</b>
<b>(LOSS) / PROFIT FROM OPERATIONS</b>		<b>(41,805)</b>	<b>(23,627)</b>	<b>(104,754)</b>	<b>(78,717)</b>
Other Operating Charges		(151)	(149)	(419)	(539)
Finance cost		(5,123)	(4,337)	(14,770)	(16,186)
		<b>(47,079)</b>	<b>(28,113)</b>	<b>(119,943)</b>	<b>(95,442)</b>
Other Operating Income		1,446	1,538	4,324	4,164
<b>(LOSS) BEFORE TAXATION FOR THE PERIOD</b>		<b>(45,633)</b>	<b>(26,575)</b>	<b>(115,619)</b>	<b>(91,278)</b>
<b>TAXATION</b>					
Current		-	-	-	(174)
Deferred		7,334	-	46,627	22,259
		<b>7,334</b>	<b>-</b>	<b>46,627</b>	<b>22,085</b>
<b>(LOSS) AFTER TAXATION FOR THE PERIOD</b>		<b>(38,299)</b>	<b>(26,575)</b>	<b>(68,992)</b>	<b>(69,193)</b>
<b>(LOSS) PER SHARE - BASIC AND DILUTED</b>		<b>(6.73)</b>	<b>(4.67)</b>	<b>(12.13)</b>	<b>(12.16)</b>

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

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	Quarter ended 31 March		Nine Months ended 31 March	
	2014	2013	2014	2013
.....(Rupees in '000).....				
<b>(Loss) after taxation for the period</b>	<b>(38,299)</b>	<b>(12,084)</b>	<b>(68,992)</b>	<b>(42,618)</b>
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss)</b>	<b>(38,299)</b>	<b>(12,084)</b>	<b>(68,992)</b>	<b>(42,618)</b>

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

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	31 March 2014	31 March 2013
.....(Rupees in '000).....		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	(115,619)	(91,278)
Adjustments:		
Depreciation	29,627	21,809
Finance cost	10,819	16,188
Interest on workers' profit participation fund	3,950	3,698
Provision for gratuity	70	-
Amortization expense	-	591
(Profit) on sale of assets held for Sale	-	(700)
<b>(Loss) before working capital changes</b>	<b>(71,153)</b>	<b>(49,692)</b>
<b>Adjustments for working capital changes</b>		
(Increase) / decrease in current assets:	(1,253)	189,328
Increase / (decrease) in current liabilities:	23,602	(25,377)
Cash (utilized in) generated from operating activities	(48,804)	114,259
Finance costs paid	(4,423)	(16,921)
Income tax paid	(477)	(2,591)
<b>Net Cash (utilized in) / generated from operating activities</b>	<b>(53,704)</b>	<b>94,747</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure in property, plant & equipment	(592)	(2,649)
Capital work in progress	(6,144)	(431)
Sale proceeds from disposal of fixed assets	-	2,662
<b>Net Cash (utilized in) investing activities</b>	<b>(6,736)</b>	<b>(418)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term borrowings - (repayments)	(3,030)	(1,668)
Movement in short term borrowings	-	(285)
<b>Net cash (outflow) from financing activities</b>	<b>(3,030)</b>	<b>(1,953)</b>
<b>NET (decrease) / increase in cash and cash equivalents</b>	<b>(63,470)</b>	<b>92,376</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>71,333</b>	<b>58,491</b>
<b>Cash and cash equivalents at end of the period</b>	<b>7,863</b>	<b>150,867</b>

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

SHAFQAT-UR-REHMAN RANJHA  
(MANAGING DIRECTOR)

MUHAMMAD IQBAL  
(DIRECTOR)

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

QUARTERLY REPORT 2014

### FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	Share Capital	Revenue Reserve General	Accumulated Loss	TOTAL
	(Rupees in '000)			
<b>Balance as at 01 July 2012</b>	56,902	10,000	(1,134,148)	(1,067,246)
<b>Total comprehensive (Loss) for the period:</b>				
- (Loss) after tax for the period ended 31 March 2013	-	-	(69,193)	(69,193)
- Other comprehensive income	-	-	(69,193)	(69,193)
Surplus on realization of fixed assets realized during the period on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	8,206	8,206
<b>Balance as at 31 March 2013</b>	56,902	10,000	(1,195,135)	(1,128,233)
<b>Total comprehensive (Loss) for the period:</b>				
- (Loss) after tax for the period ended 30 June 2013	-	-	(13,914)	(13,914)
- Other comprehensive income	-	-	-	-
Surplus on realization of fixed assets realized during the period on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	5,985	5,985
<b>Balance as at 30 June 2013</b>	56,902	10,000	(1,203,064)	(1,136,162)
<b>Total comprehensive (Loss) for the period:</b>				
- (Loss) after tax for the period ended 31 March 2014	-	-	(68,992)	(68,992)
- Other comprehensive income	-	-	-	-
Surplus on realization of fixed assets realized during the period on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	14,115	14,115
<b>Balance as at 31 March 2014</b>	56,902	10,000	(1,257,941)	(1,191,039)

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

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

### FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

#### 1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited (a State Public Sector Enterprise) was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on all Stock Exchanges of Pakistan. The company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity transmission and communication towers, electric motors, pumps and steel rolled products etc. The registered office of the Company is situated at 6/7-Sir Ganga Ram Trust Building, Shakra-e-Quaid-e-Azam, Lahore.

#### 2. BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed interim financial information of the Company for the nine months period ended 31 March 2014 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial information is presented in Pakistan Rupee which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

##### 2.2 Estimates, judgements and financial risk management

The preparation of interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates.

In preparing these condensed interim financial information, the significant judgments made by the management is applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 30 June 2013.

#### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company for the preceding year 30 June 2013.

This condensed interim financial information does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the company's audited annual financial Statements for the year ended 30 June 2013.

#### 4. CONTINGENCIES

##### 4.1 Claims not acknowledged as debts in respect of various sub judice cases filed against the company

SHAFQAT-UR-REHMAN RANJHA  
(MANAGING DIRECTOR)

MUHAMMAD IQBAL  
(DIRECTOR)

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



for which the maximum possible liabilities could be approximately Rs. 2.517 million (30 June 2013: Rs. 2.517 Million).

- 4.2 Guarantees of Rupees 349.888 million (30 June 2013: Rs. 340.095 million) issued by the banks and insurance companies to different parties on behalf of the company.
- 4.3 The Sui Gas authorities have claimed an amount of Rs. 29.21 million (30 June 2013: Rs. 29.21 million). The Company has filed an appeal against the claim and the case is pending in the court of law. The outcome of the matter cannot presently be determined.

	Quarter ended 31 March		Nine Months ended 31 March	
	2014	2013	2014	2013
	.....(Rupees in '000).....			
<b>5. COST OF GOODS SOLD</b>				
Raw material consumed	25,713	9,512	43,891	110,223
Stores & spares consumed	2,623	(83)	5,737	30,908
Salaries & Wages (including all benefits)	11,111	11,717	33,744	45,471
Fuel & Power	3,334	2,171	9,943	7,531
Inspection Fee	61	10	76	30
Service Charges	1,085	51	2,202	94
Processing Charges	4,473	1,467	5,563	2,000
Repair & Maintenance	259	346	672	620
Insurance	241	244	733	328
Rent, Rate & Taxes	251	388	688	590
Traveling & Conveyance	168	324	531	344
Printing & Stationery	85	47	425	516
Postage & Telephone	73	117	203	160
Vehicle Running Expenses	487	587	1,229	1,711
Other expenses	211	276	460	745
Depreciation	6,797	6,371	25,181	18,833
	<b>56,972</b>	<b>33,544</b>	<b>131,278</b>	<b>220,104</b>
(Increase) / decrease in work in process inventory	18,468	(1,488)	2,915	111,860
Cost of goods manufactured	75,440	32,056	134,193	331,964
(Increase) / decrease in finished goods inventory	(7,583)	564	(1,446)	64,860
<b>Cost of Goods Sold</b>	<b>67,857</b>	<b>32,620</b>	<b>132,747</b>	<b>396,824</b>

**6. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT (AT COST)**

DESCRIPTION	31 March 2014		30 June 2013	
	.....(Rupees in '000).....			
	ACQUISITION	DISPOSALS	ACQUISITION	DISPOSALS
Land	-	-	3,557,700	-
Factory Building	-	-	189,776	-
Plant & Machinery	440	-	81,580	-
Office Equipment	141	-	150	-
Computers	11	-	151	-
Vehicles	-	-	2,715	1,957
Electric Equipment	-	-	906	-
Tools	-	-	240	-
<b>Total</b>	<b>592</b>	<b>-</b>	<b>3,833,218</b>	<b>1,957</b>

**7. CAPITAL WORK IN PROGRESS**

	31 Mar 2013	30 Jun 2013
	.....(Rupees in '000).....	
Civil Works	2,531	2,239
Plant & Machinery	5,852	-
Advance to Suppliers	101	101
	<b>8,484</b>	<b>2,340</b>

**8. TRANSACTIONS WITH RELATED PARTIES**

	31 Mar 2013	30 Jun 2013
	.....(Rupees in '000).....	
<b>STATE ENGINEERING CORPORATION (SEC)</b>		
Outstanding SEC Service Charges Paid	3,000	2,000
Reimbursement of Expenses Payable	157	186
Reimbursement of Expenses	204	320
<b>PAKISTAN MACHINE TOOL FACTORY (PMTF)</b>		
Receivable at the end of the period	1,571	1,571

**9. DATE OF AUTHORISATION**

This condensed interim financial information have been authorised for issue by Board of Directors on 30 April 2014.

**10. GENERAL**

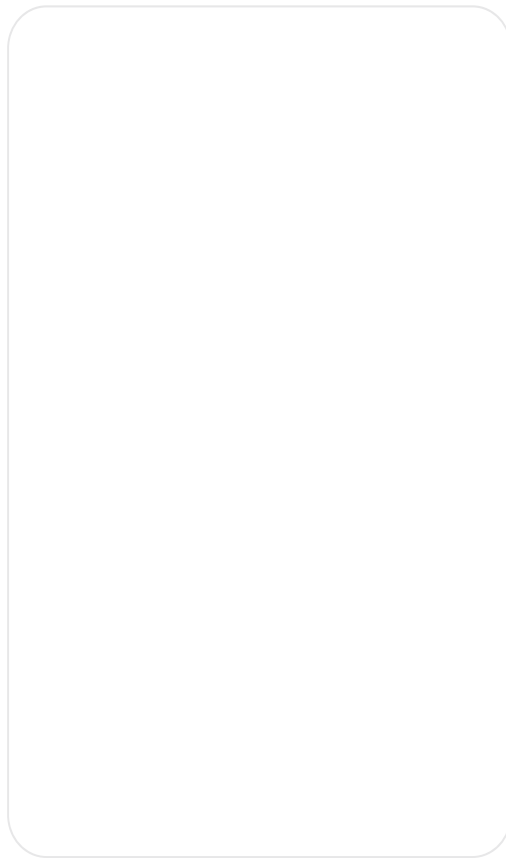
Figures have been rounded off to the nearest thousand rupees.

SHAFQAT-UR-REHMAN RANJHA  
(MANAGING DIRECTOR)

MUHAMMAD IQBAL  
(DIRECTOR)



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6/7-Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore.