



PAKISTAN ENGINEERING
COMPANY LIMITED

QUARTERLY REPORT MARCH 31, 2015



Board of Directors

Mr. Muhammad Arif Azim
(Chairman)
Mr. Shafqat-ur-Rehman Ranjha
(Chief Executive)
Mr. Arif Ibrahim
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Ansar Javed

Auditors

M/s. Tariq Abdul Ghani
Maqbool & Company
Chartered Accountants

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Board Audit & Risk Management Committee

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

Legal Advisor

Sardar Zulfiqar Umar Khan
Thahim

Registered Office

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

Board Finance Committee

Mr. Rashid Ali Khan
(Chairman)
Mr. Arif Ibrahim
Mr. Liaqat Mohammad

Phones : 042 37 32 0225-7
Fax No. : 042 37 32 3108
E-Mail : info@peco.com.pk
Website: <http://www.peco.com.pk>
Plants : Kot Lakhpat
Lahore.

Board HR & Remuneration Committee

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

Share Registrar:

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

CFO & Company Secretary

Mian Anwar Aziz

Dear Shareholders,
Assalam-o-Alakum

On behalf of the Board, I feel pleased to present the review of the Company's performance and the un-audited financial information for the nine months period ended March 31, 2015.

Performance Out Look

During the period under review operational performance, in terms of sales, production and profitability was relatively better. The Company executed its orders well in time and presently Company has orders in hand worth Rs. 1.472 billion which are at good margins. During this quarter National Bank of Pakistan has renewed credit facilities in favour of your Company, which has helped in better financial management.

Financial Results

The sales during the period ended on March 31, 2015 was Rs. 452 million as against Rs. 68 million during the corresponding period of last year, showing an increase of Rs. 384 million. The Company earned a gross profit of Rs. 67.7 million (15 %) against gross loss of Rs. 64.9 million compared with same period last year. The net profit before tax was Rs. 16.6 million against net loss of Rs. 115.6 million of same period last year.

It is a matter of pleasure to mention that after four years of consecutive losses, the Company was able to earn net profit of Rs. 16.6 million during the period under report. The Management of your Company is striving hard to maintain its trend of sales and profitability for the remaining period of the year.

Future Outlook

The current orders are on good prices and reasonable margins. The Management of your Company is working hard to strengthen its order book, increase production and minimize production cost. Keeping in view the orders in hand and prospective business of transmission line towers and telecommunication towers, it is anticipated that performance of your Company during the next quarter would be relatively better.

Acknowledgement

I take this opportunity to thank all our valued Customers, Suppliers and Bankers for their confidence and continued support, staff members for their dedication and hard work. I would also like to thank our Board of Directors for their guidance and support for the improvement of Company's business and good will.

I am looking forward to a much better future of the Company.

On behalf of the Board

Dated: April 27, 2015
Lahore

Shafqat-ur-Rehamn Ranjha
(Chief Executive)

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2015

	Note	March 31, 2015	June 30, 2014
----- (Rupees in '000) -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7	8,581,356	8,630,104
Investment property		651	676
Long term investment		683	663
Long term deposits		<u>964</u>	<u>964</u>
		8,583,654	8,632,407
Free hold land - held for sale		314,724	314,724
CURRENT ASSETS			
Stores, spares and loose tools		<u>135,015</u>	137,717
Stock-in-trade		<u>455,846</u>	322,338
Trade debts		<u>181,747</u>	152,677
Advances		<u>8,191</u>	5,430
Trade deposits, prepayments and other receivables		<u>31,734</u>	29,366
Advance income tax		<u>46,655</u>	35,100
Cash and bank balances		<u>9,043</u>	7,151
		868,231	689,779
TOTAL ASSETS		<u>9,766,609</u>	<u>9,636,910</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		<u>(1,214,801)</u>	<u>(1,252,912)</u>
		(1,147,899)	(1,186,010)
Surplus on revaluation of fixed assets		8,553,258	8,582,247
NON - CURRENT LIABILITIES			
Government of Pakistan		<u>1,790,848</u>	1,790,848
Long term borrowings - secured	4	<u>73,137</u>	-
Deferred tax liability - net		<u>48,017</u>	45,046
		1,912,002	1,835,894
CURRENT LIABILITIES			
Trade and other payables		<u>387,247</u>	283,492
Short term borrowing - secured	5	<u>20,000</u>	108,351
Current portion of long term borrowings	4	<u>35,214</u>	-
Mark-up accrued - on short term borrowing		<u>2,265</u>	12,936
Provision for taxation		<u>4,522</u>	-
		449,248	404,779
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u>9,766,609</u>	<u>9,636,910</u>

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

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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

**FOR THE NINE MONTHS PERIOD ENDED
MARCH 31, 2015**

	Note	Quarter ended March 31		Nine Months ended March 31	
		2015	2014 Restated	2015	2014 Restated
----- (Rupees in '000) -----					
Sales - net		111,203	39,785	452,185	67,824
Less: cost of sales	8	91,695	67,857	384,440	132,747
GROSS PROFIT/(LOSS)		19,508	(28,072)	67,745	(64,923)
Selling and distribution expenses		(1,284)	(1,058)	(4,079)	(3,151)
Freight and forwarding expenses		(1,217)	(74)	(6,502)	(143)
Administrative expenses		(11,930)	(12,592)	(36,961)	(36,510)
		(14,431)	(13,724)	(47,542)	(39,804)
PROFIT/(LOSS) FROM OPERATIONS		5,077	(41,796)	20,203	(104,727)
Other operating charges		(790)	(160)	(3,070)	(446)
Finance cost		(5,991)	(5,123)	(16,571)	(14,770)
		(1,704)	(47,079)	562	(119,943)
Other operating income		3,894	1,446	16,052	4,324
PROFIT/(LOSS) BEFORE TAXATION FOR THE PERIOD		2,190	(45,633)	16,614	(115,619)
TAXATION					
- Current		(1,112)	-	(4,522)	-
- Deferred		-	7,334	(2,971)	46,627
		(1,112)	7,334	(7,493)	46,627
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD		1,078	(38,299)	9,121	(68,992)
PROFIT/(LOSS) PER SHARE - BASIC & DILUTED - Rupees		0.19	(6.73)	1.60	(12.13)

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 MARCH 31, 2015

	Quarter ended March 31		Nine Months ended March 31	
	2015	2014	2015	2014
----- (Rupees in '000) -----				
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD	1,078	(38,299)	9,121	(68,992)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	1,078	(38,299)	9,121	(68,992)

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 MARCH 31, 2015

	Note	Nine months ended	
		March 31, 2015	March 31, 2014
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) operations	9	(10,047)	(48,804)
Finance cost paid		(23,137)	(4,423)
Gratuity paid		(49)	-
Income tax paid		(11,555)	(477)
Net cash (used in) operating activities		(44,788)	(53,704)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(654)	(592)
Capital work in progress		(124)	(6,144)
Proceeds from disposal of Property, plant and equipment		27,458	-
Net cash generated from/(used in) investing activities		26,680	(6,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		20,000	-
Long term borrowings - (repayments)		-	(3,030)
Net cash generated from/(used in) financing activities		20,000	(3,030)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,892	(63,470)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		7,151	71,333
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		9,043	7,863

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

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)



FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2015

	Share Capital	Revenue reserve - General	Accumulated loss	TOTAL
(Rupees in '000)				
BALANCE AS AT JULY 01, 2013 (Audited)	56,902	10,000	(1,203,064)	(1,136,162)
Total comprehensive loss for the period				
Loss for the period ended March 31, 2014	-	-	(68,992)	(68,992)
Other comprehensive income	-	-	-	-
	-	-	(68,992)	(68,992)
Surplus on realization of fixed assets realized during the period on account of:				
- incremental depreciation charged thereon - net of tax	-	-	14,115	14,115
BALANCE AS AT MARCH 31, 2014 (Un-audited)	56,902	10,000	(1,257,941)	(1,191,039)
Total comprehensive loss for the period				
Loss for the period ended June 30, 2014	-	-	39	39
Other comprehensive income	-	-	-	-
	-	-	39	39
Surplus on realization of fixed assets realized during the period on account of:				
- incremental depreciation charged thereon - net of tax	-	-	4,990	4,990
BALANCE AS AT JUNE 30, 2014 (Audited)	56,902	10,000	(1,252,912)	(1,186,010)
Total comprehensive loss for the period				
Loss for the period ended March 31, 2015	-	-	9,121	9,121
Other comprehensive income	-	-	-	-
	-	-	9,121	9,121
Surplus on realization of fixed assets realized during the period on account of:				
- incremental depreciation charged thereon - net of tax	-	-	11,437	11,437
- disposal of revalued machinery - net of tax	-	-	17,553	17,553
BALANCE AS AT MARCH 31, 2015 (Un-audited)	56,902	10,000	(1,214,801)	(1,147,899)

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2015

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 Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is unaudited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It 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. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 has 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, judgments and financial risk management

The preparation of interim financial information requires management to make judgments, 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 June 30, 2014.

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 June 30, 2014.

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**

QUARTERLY REPORT 2015

(Un-audited) (Audited)
March 31, 2015 June 30, 2014
------(Rupees in '000)-----

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 June 30, 2014.

4 LONG TERM BORROWINGS - SECURED

From National Bank of Pakistan - Demand Finance	4.1	108,351	
Less: Current maturity shown under current liabilities		(35,214)	-
		<u>73,137</u>	<u>-</u>

4.1 The existing credit limit of the Company has been renewed and the short term loan (Cash Finance facility) of Rupees 108.351 million is converted into long term loan (Demand Finance facility) which is to be paid in 05 years in 20 equal quarterly installments effective from March 31, 2015. Such facility will be expired on December 31, 2019.

4.2 This is secured against first charge over current and fixed assets of the company. The financing forms part of total credit facility available to the extent of Rupees 108.351 million. The loan carries markup @ 3 months KIBOR plus 2.50% without floor and cap.

(Un-audited) (Audited)
March 31, 2015 June 30, 2014
------(Rupees in '000)-----

5 SHORT TERM BORROWING - SECURED

From National Bank of Pakistan - Running Finance	5.1	<u>20,000</u>	108,351
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5.1 On January 23, 2015, a fresh sanction of Rupees 20 million and Rupees 100 million as running finance and bank guarantee limit respectively, is allocated by National Bank of Pakistan (NBP). This fresh sanction will be expired on December 31, 2015 and will be renewed annually.

5.2 The existing credit limit of the Company has been renewed and the short term loan (Cash Finance facility) of Rupees 108.351 million is converted into long term loan (Demand Finance facility)

5.3 This is secured against first charge of Rupees 26.66 million over current and movable fixed assets (excluding land and building) of the company. The loan carries markup @ 3 months KIBOR plus 2.50%

6 CONTINGENCIES

6.1 Claims not acknowledged as debts in respect of various sub judge cases filed against the company for which the maximum possible liabilities could be approximately Rupees 2.517 million (June 30, 2014: Rupees 2.517 Million).

6.2 Guarantees of Rupees 297.532 million (June 30, 2014: Rupees 256.452 million) issued by the banks and insurance companies to different parties on behalf of the company.

6.3 The Sui Gas authorities have claimed an amount of Rupees 29.21 million (June 30, 2014: Rupees 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.

(Un-audited) (Audited)
March 31, 2015 June 30, 2014
------(Rupees in '000)-----

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	7.1	8,578,892	8,627,764
Capital work-in-progress		2,464	2,340
		<u>8,581,356</u>	<u>8,630,104</u>

7.1 Operating fixed assets

Opening written down value		8,627,764	8,660,311
Add: Additions during the period/year	7.1.1	654	6,980
		<u>8,628,418</u>	<u>8,667,291</u>
Less: Disposals during the period/year (at book value)		(21,303)	-
		<u>8,607,115</u>	<u>8,667,291</u>
Less: Depreciation charged during the period/year		(28,223)	(39,527)
		<u>8,578,892</u>	<u>8,627,764</u>

7.1.1 Following is the detail of additions during the period/year

Plant and Machinery		-	6,724
Office Equipment		115	154
Computers		114	97
Tools		425	5
		<u>654</u>	<u>6,980</u>

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**

	(Un-audited)		(Un-audited)	
	Quarter ended March 31		Nine Months ended March 31	
	2015	2014	2015	2014
8 COST OF SALES	----- (Rupees in '000) -----			
Raw material consumed	167,486	25,713	384,325	43,891
Stores and spares consumed	11,992	2,623	51,589	5,737
Salaries and wages (including all benefits)	15,577	11,111	46,882	33,744
Fuel and power	7,386	3,334	20,838	9,943
Inspection fee	445	61	2,369	76
Service charges	1,300	1,085	3,803	2,202
Processing charges	-	4,473	-	5,563
Repair and maintenance	348	259	773	672
Insurance	241	241	742	733
Research and development	-	-	4	-
Rent, rates and taxes	453	251	1,316	688
Traveling and conveyance	68	168	277	531
Printing and stationery	204	85	469	425
Postage and telephone	139	73	363	203
Vehicle running expenses	630	487	1,836	1,229
Other expenses	699	211	1,802	460
Depreciation	8,001	6,797	25,906	25,181
	<u>214,969</u>	<u>56,972</u>	<u>543,294</u>	<u>131,278</u>
(Increase)/decrease in work in process inventory	(17,671)	18,468	(60,940)	2,915
Cost of goods manufactured	197,298	75,440	482,354	134,193
(Increase)/decrease in finished goods inventory	(105,603)	(7,583)	(97,914)	(1,446)
Cost of Sales	<u>91,695</u>	<u>67,857</u>	<u>384,440</u>	<u>132,747</u>

(Un-audited) (Un-audited)
March 31, 2015 March 31, 2014
----- (Rupees in '000) -----

9 CASH (USED IN) OPERATIONS

Profit/(Loss) before taxation	17,561	(115,619)
Adjustments for non cash charges and other items:		
Depreciation	27,296	29,627
Financial charges	12,466	10,819
Interest on workers' profit participation fund	4,105	3,950
Interest on bank deposit	(20)	-
Provision for gratuity	10	70
Gain on sale of property, plant and equipment	(6,153)	-
Profit/(Loss) before working capital changes	<u>55,265</u>	<u>(71,153)</u>

Effect on cash flow due to working capital changes:

Increase/(decrease) in stores, spares and loose tools	2,702	(4,143)
(Decrease) in stock in trade	(133,508)	(22,740)
(Decrease)/increase in trade debts	(29,070)	23,672
Increase/(decrease) in advances	(2,761)	(1,658)
φDecrease)/increase in trade deposits, prepayments and other receivables	(2,368)	3,616
Decrease in trade and other payables	99,693	23,602
	<u>(65,312)</u>	<u>22,349</u>
	<u>(10,047)</u>	<u>(48,804)</u>

(Un-audited) (Audited)
March 31, 2015 June 30, 2014
----- (Rupees in '000) -----

10 TRANSECTION WITH RELATED PARTIES

State Engineering Corporation (SEC)		
Outstanding SEC Service Charges Paid	1,500	3,000
Reimbursement Of Expenses Payable	151	192
Reimbursement Of Expenses	192	297
Pakistan Machine Tool Factory		
Receivable at the end of the period	1,571	1,571

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**

11 RESTATEMENT OF ACCOUNTS

Recognition of investment property has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in adjustment of prior year financial statement.

As at June 30, 2014 (Audited)		
As previously reported	Effect of restatement	As Restated

----- (Rupees in '000) -----

Effect on Balance Sheet

(Decrease in) property, plant and equipment	8,630,780	(676)	8,630,104
Increase in investment property	-	676	676

For the nine months period ended March 31, 2015 (Un-audited)		
As previously reported	Effect of restatement	As Restated

----- (Rupees in '000) -----

Effect on Profit and Loss Account

(Decrease in) administrative expenses	36,537	(27)	36,510
Increase in other operating charges	419	27	446

12 DTAE OF AUTHORIZATION

This condensed interim financial information have been authorized for issue by Board of Directors on April 27, 2015.

13 GENERAL

Figures have been rounded off to the nearest thousand rupees.

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)