

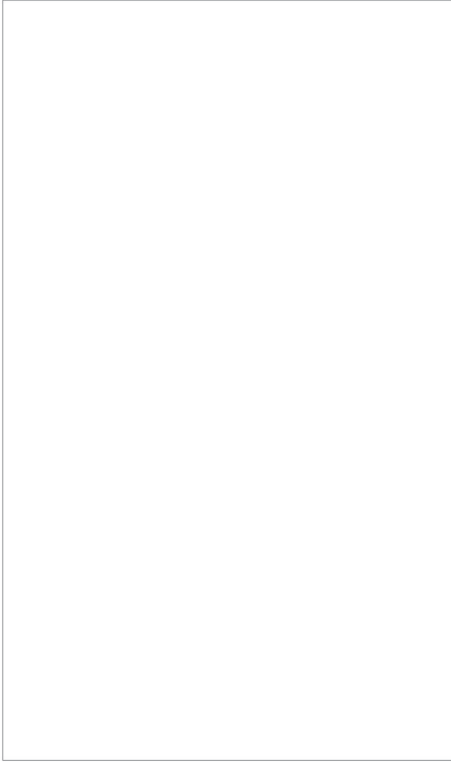
# QUARTERLY REPORT

September 2009



Pakistan Engineering Company Limited

**BOOK POST**



A Company of 

If undelivered please return to  
**PAKISTAN ENGINEERING CO. LTD.**  
6/7-Ganga Ram Trust Building  
Shahrah-e-Quaid-e-Azam,  
Lahore, Pakistan.

## FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	(Rupees in 000)	
	<u>JUL-SEP. 2009</u>	<u>JUL-SEP. 2008</u>
<b>SALES</b>	180,387	150,893
Cost of Goods Sold	(132,114)	(128,507)
<b>Gross Profit</b>	48,273	22,386
<b>OPERATING EXPENSES</b>		
General and Administrative expenses	(12,620)	(10,813)
Selling and Distribution expenses	(2,177)	(1,204)
Freight and Forwarding expenses	(2,875)	(1,025)
	(17,672)	(13,042)
<b>OPERATING PROFIT</b>	<b>30,601</b>	<b>9,344</b>
Other charges	(152)	(124)
Financial charges	(3,687)	(2,091)
	<b>26,762</b>	<b>7,129</b>
Other Income	1,432	10,010
<b>PROFIT BEFORE TAXATION</b>	<b>28,194</b>	<b>17,139</b>
TAXATION	(9,868)	(754)
<b>Profit after Taxation</b>	<b>18,326</b>	<b>16,385</b>
<b>Earning per Share - Basic (Rupees)</b>	3.22	2.88

## STATEMENT OF CHANGES IN EQUITY

### FOR THE QUARTER ENDED SEPTEMBER 30, 2009

	(Rupees in 000)			
	SHARE CAPITAL	REVENUE RESERVE	ACCUMULATED LOSS	TOTAL
Balance as on June 30, 2008	56,902	10,000	(1,168,990)	(1,102,088)
Dividend for the Half year ended December 31, 2008 @ Rs.5.00 per share			(28,451)	(28,451)
Profit for the year June 30, 2009			133,948	133,948
Transfer from Surplus on revaluation of Fixed Assets	-	-	3,511	3,511
Transfer from "Surplus on Revaluation of Fixed Assets" on disposal of fixed Assets	-	-	3,779	3,779
Balance as on June 30, 2009	56,902	10,000	(1,056,203)	(989,301)
Profit for the year September 30, 2009			18,326	18,326
Transfer from Surplus on revaluation of Fixed Assets			845	845
Balance as on September 30, 2009	56,902	10,000	(1,037,032)	(970,130)

# CASH FLOW STATEMENT



AS ON SEPTEMBER 30, 2009

	Un-Audited Sept.2009	Rs. 000 Un-Audited Sept.2008
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net Profit/ (Loss) before Taxation	28,194	17,139
Adjustment for:		
Depreciation	3,141	3,632
Amortization of leased assets	44	44
Financial Charges	3,687	2,091
provision for gratuity and pension	3	8
Profit on sale of Fixed Assets	-	(8,633)
<b>Profit/ (Loss) before working capital changes</b>	<b>35,069</b>	<b>14,281</b>
Adjustments for working capital changes		
(Increase)/ Decrease in current Assets	(99,085)	26,382
Increase/ (Decrease) in current Liabilities	65,136	(11,385)
<b>Cash (Used in)/Generated from operations</b>	<b>1,120</b>	<b>29,278</b>
Financial Charges paid	(1,157)	(1,844)
Gratuity Paid	-	(6)
Income Tax Paid	(2,408)	(855)
Worker's profit participation Fund	(5,400)	(1,256)
<b>Net Cash (outflow)/ inflow from operating Activities</b>	<b>(7,845)</b>	<b>25,317</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of tangible fixed assets	(2,911)	(584)
(Increase)/ Decrease in long term security deposit	95	(340)
(Increase)/ Decrease in capital work in progress	(1,159)	(1,818)
Sale proceeds on disposal of fixed assets	-	13,238
<b>Net Cash (outflow)/ inflow from investing Activities</b>	<b>(3,975)</b>	<b>10,496</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase/ (Decrease) in short term & long term loans	(229)	(5,739)
Payment of lease liability	(8)	(78)
Payment Dividend	(289)	(3)
Net cash in flow/(out flow) from financing activities	(526)	(5,820)
Net increase/ (decrease) in cash and cash equivalents	(12,346)	29,993
Cash and cash equivalent beginning of the period	28,250	24,482
Cash and cash equivalent end of the period	15,904	54,475

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)

Dear Shareholders,

Assalamo -o-Alakum

I am honoured to present the Un-Audited Accounts and Report for the first quarter of the year 2009-10, ended on September 30, 2009.

The current financial year beginning was very satisfactory because of reasonable size of orders in hand, which has given confidence for better sales during the year. During the first quarter Transmission line towers supplies to WAPDA could have been higher, but materials availability from Pakistan Steel, and steel rolling mills were short, and also not as per our production planning . The business of Pumps & Motors is also expected to increase during remaining period of the year. Materials availability is also expected to improve in the next period.

The sales during the period under review were Rs. 180.3 million as against Rs. 150.9 million during the corresponding period of last year, showing an improvement of Rs. 29.4 million (19 %).

The gross profit resultantly improved from Rs. 22.4 million to Rs. 48.2 million (115 %), which was due to better sale mix, and better prices of orders available.

The net profit before tax was Rs. 28.2 million against Rs. 17.1 million of same period of last year. This also showed an improvement of Rs. 11.1 million (65 %).

The current pricing trend against WAPDA tenders is highly unfavorable, because some Chinese manufacturers are quoting very low prices. The prices offered by them are almost 25% lower than our cost, which is very surprising. To counter this pricing trend, different strategies are under planning.

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 thanks our Board of Directors for their guidance and support for the improvement of Company's business and good will.

I look forward for better future of the Company.

on behalf of the Board.

Date: October 26, 2009  
Lahore

Ghulam Rasool Ahpan  
(Chairman)

**BOARD OF DIRECTORS**

Mr. Ghulam Rasool Ahpan  
Chairman

Mr. M. Imtiaz-ur-Raheem  
Chief Executive

Mr. Khizar Hayat Khan

Mr. Muhammad Arif Habib

Mr. Rashid Ali Khan

Mr. Liaqat Mohammad

Mr. Mohammad Shabir Malik

Mr. Muhammad Iqbal

Mirza Mahmood Ahmad

**BOARD AUDIT COMMITTEE**

Mr. Liaqat Mohammad  
Chairman

Mr. Mohammad Shabir Malik  
Member

Mr. Muhammad Iqbal  
Member

Mr. M. Imtiaz ur Raheem  
Member

**BANKERS**

National Bank of Pakistan  
United Bank Limited  
Arif Habib Bank Limited

**REGISTERED AND HEAD OFFICE**

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

**CHIEF FINANCIAL OFFICER  
& COMPANY SECRETARY**

Mian Anwar Aziz

**BRANCHES**

Karachi  
Islamabad

**AUDITORS**

Fazal Mahmood & Co.  
Chartered Accountants

**PLANT**

Kot Lakhpat, Lahore.

**SHARE REGISTRAR**

M/s Scarlet IT System (Pvt) Limited  
Hassan Plaza, 6-A, Jail Road, Lahore

**WEB SITE**

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

**FOR THE QUARTER ENDED SEPTEMBER 30, 2009**

**1. THE COMPANY AND ITS OPERATIONS**

Pakistan Engineering Company Limited was incorporated in Pakistan and is listed on all Stock Exchanges of Pakistan. The address of its registered office is 6-Ganga Ram Trust Building, Shahrah-e-Quid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared using the same accounting policies as are applied in the preparation of annual accounts.

**3. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the requirements of international Accounting Standard 34.

**4. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

- Claim not acknowledged as debts in respect of various subjudice cases filed against the company for which the maximum possible liabilities could be approximately Rs.2.517 Million (June, 2009: 2.517million).
- Guarantee of Rs.298.646 million (June 2009:Rs 295.037 million) issued by the banking and insurance companies to different parties on behalf of the company.

**Commitments**

Letters of credit for raw material and store items amounting to Rs. 24.091 Million (June, 2008:Rs.24.016 million).

**5. COST OF GOODS SOLD**

	<b>2009</b>	<b>2008</b>
	<b>JUL-SEP</b>	<b>JUL-SEP</b>
Raw material consumed	250,828	143,179
Stores and spares consumed	14,654	9,110
Salaries and wages (including all benefits)	20,373	10,501
Fuel and Power	10,503	7,484
Rent Rates & Taxes	208	
Inspection Fee	98	311
Service Charges	122	344
Processing charges	784	20
Repair & Maintenance	930	233
Insurance	157	137
Research & Development	873	-
Vehicle Running expenses	378	265
Other Expenses	429	199
Depreciation	2,304	2,912
	<u>302,641</u>	<u>174,695</u>
(Increase) decrease in Work in Process Inventory	(36,536)	(42,761)
Cost of Goods Manufactured	<u>266,105</u>	<u>131,934</u>
(Increase) decrease in Finished Goods Inventory	(133,991)	(3,427)
	<u><u>132,114</u></u>	<u><u>128,507</u></u>

**6. TRANSACTION WITH ASSOCIATED UNDERTAKINGS**

Purchases of material and goods	-	-
Sales of material and goods	-	-
Service charges of S.E.C	-	-
Payment of SMC Loans	-	-

**7. DATE OF AUTHORIZATION**

These financial statements have been authorised for issue by Board of Directors on October 26, 2009.

**8. GENERAL**

Figures have been rounded off to the nearest thousand rupee.

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)

AS AT SEPTEMBER 30, 2009

	Un-Audited September 30, 2009	(Rupees in 000) Audited June 30, 2009
<b>NON CURRENT ASSETS</b>		
Property, Plant & Equipment-Tangible	4,592,540	4,592,772
Assets subject to Finance Lease	666	710
Capital Work in Progress- Building etc.	3,718	2,559
Land held for sale	314,724	314,724
	4,911,648	4,910,765
<b>LONG TERM SECURITY DEPOSITS</b>		
	2,830	2,925
	4,914,478	4,913,690
<b>CURRENT ASSETS</b>		
Store, Spares and loose tools	162,529	142,403
Stock-in-trade	629,652	445,460
Assets held for Sale	25,654	25,654
Trade debtors	221,630	347,364
Loans & advances to Employees	1,150	1,022
Advances to Others	82,816	67,717
Trade deposits, prepayments & others receivables	54,048	46,366
Cash and bank balances	15,904	28,250
	1,193,383	1,104,236
<b>CURRENT LIABILITIES</b>		
Trade Creditors	239,294	143,023
Accrued Liabilities	9,291	9,419
Deposits & Advance payments	17,726	15,289
Other Liabilities	42,750	81,591
Unclaimed Dividend	7,512	7,803
Accrued Mark-up - On NBP Secured Loans	33,462	30,932
Current portion of Long Term Loans	70,975	59,725
Liabilities Against Assets Subject to Finance Lease	947	955
Provision for Taxation	27,521	17,653
	449,478	366,390
<b>Net Current Assets</b>	743,905	737,846
<b>Total Assets Less Current Liabilities</b>	5,658,383	5,651,536
<b>NON CURRENT LIABILITIES</b>		
GOVERNMENT OF PAKISTAN LOAN	1,790,848	1,790,848
LONG TERM LOANS	64,838	76,317
DEFERRED TAXATION	36,714	36,714
	1,892,400	1,903,879
<b>NET TOTAL ASSETS</b>	<b>3,765,983</b>	<b>3,747,657</b>
<b>REPRESENTED BY:</b>		
Share Capital	56,902	56,902
Revenue Reserve-General	10,000	10,000
Accumulated (Loss)	(1,037,032)	(1,056,203)
	(970,130)	(989,301)
Surplus on Revaluation of Fixed Assets	4,736,113	4,736,958
	<b>3,765,983</b>	<b>3,747,657</b>

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)