



QUARTERLY REPORT SEPTEMBER 30, 2015



COMPANY INFORMATION

QUARTERLY REPORT 2015

Board of Directors

Syed Kaukab Mohyuddin
(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

Board Audit & Risk Management Committee

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

Board Finance Committee

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

Board HR & Remuneration Committee

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

CFO & Company Secretary

Mian Anwar Aziz

Auditors

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

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

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

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

Overview

I feel pleasure to present the Un-Audited Accounts for the first quarter of the year 2015-16 ended on September 2015. The current financial year started with orders in hand of Rs.1,073 million. During the period under review transmission line towers were supplied to WAPDA and other Discos. The Company has orders in hand worth Rs. 1.7 billion as on 30.09.2015. In view of the Govt priorities on electrification and electricity load management there is a big potential in transmission line towers business.

Financial Results

The sales during the period ended on September 30, 2015 were Rs. 315.2 million as against Rs.179.9 million during the corresponding period of last year, showing an increase of Rs. 135 million. The Company earned a gross profit of Rs. 48.3 million against gross profit of Rs. 31.3 million compared with same period last year. The net profit before tax was Rs. 26.1 million against net profit of Rs. 14.3 million of same period last year

It is a matter of pleasure to mention that the first quarter of year 2015-16 has progressively ended both in term of turnover and profitability.

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 with WAPDA/DISCO are on good prices and reasonable margins. The Management of your Company is working hard to 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 rest of year 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: October 29, 2015
Lahore

Shafqat ur Rehman Ranjha
(Chief Executive Officer)

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT SEPTEMBER 30, 2015

	Note	September 30, 2015	June 30, 2015
	(Rupees in '000)-----	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	8,583,314	8,588,036
Investment property		634	642
Long term investment		704	704
Long term deposits		620	620
		<u>8,585,272</u>	<u>8,590,002</u>
Free hold land - held for sale		314,724	314,724
CURRENT ASSETS			
Stores, spares and loose tools		119,420	131,772
Stock-in-trade		511,958	411,431
Trade debts		406,951	381,153
Advances		9,239	9,196
Trade deposits, prepayments and other receivables		27,359	27,377
Advance income tax		79,126	67,132
Cash and bank balances		13,697	22,500
		<u>1,167,750</u>	<u>1,050,561</u>
TOTAL ASSETS		<u><u>10,067,746</u></u>	<u><u>9,955,287</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(1,138,092)	(1,165,358)
		<u>(1,071,190)</u>	<u>(1,098,456)</u>
Surplus on revaluation of fixed assets		8,555,163	8,559,413
NON - CURRENT LIABILITIES			
Government of Pakistan - secured		1,790,848	1,790,848
Long term borrowings - secured		63,380	68,256
Deferred Income tax liability - net		55,834	55,834
		<u>1,910,062</u>	<u>1,914,938</u>
CURRENT LIABILITIES			
Trade and other payables		628,366	527,237
Short term borrowing - secured		19,995	20,000
Current portion of long term borrowings		19,503	19,503
Accrued mark-up		2,695	3,099
Provision for taxation		3,152	9,553
		<u>673,711</u>	<u>579,392</u>
CONTINGENCIES AND COMMITMENTS	4		
TOTAL EQUITY AND LIABILITIES		<u><u>10,067,746</u></u>	<u><u>9,955,287</u></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 QUARTER ENDED SEPTEMBER 30, 2015

	Note	July - Sep 2015	July - Sep 2014
	(Rupees in '000)-----	
Sales - net		315,217	179,991
Cost of sales	6	(266,851)	(148,637)
Gross Profit		48,366	31,354
Selling and distribution expenses		(1,337)	(1,475)
Freight and forwarding expenses		(2,459)	(3,032)
Administrative expenses		(14,146)	(12,885)
Other operating charges		(708)	(161)
		(18,650)	(17,553)
Other operating income		426	6,120
Operating profit		30,142	19,921
Finance cost		(3,974)	(5,577)
Profit before taxation		26,168	14,344
Taxation		(3,152)	-
Profit after taxation for the period		23,016	14,344
BASIC AND DILUTED EARNING PER SHARE		----- (Rupees) -----	
Earnings per share - basic and diluted		4.04	2.52

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Jul-Sep 2015	Jul-Sep 2014
(Rupees in '000)-----	
Profit after taxation for the period	23,016	14,344
Other comprehensive income for the year	-	-
Total comprehensive income for the period	23,016	14,344

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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
(Rupees in '000)-----	
CASH GENERATED FROM OPERATIONS		
Cash generated from operations	26,408	7,659
Finance cost paid	(3,941)	(13,399)
Income tax paid	(21,549)	(4,140)
Net cash generated from / (used in) operating activities	918	(9,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(5,325)	(60)
Capital work in progress	485	-
Proceeds from disposal of property, plant and equipment	-	13,051
Net cash (used in)/generated from investing activities	(4,840)	12,991
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	(5)	-
Long term borrowings - (repayments)	(4,876)	-
Net cash (used in) financing activities	(4,881)	-
Net (decrease) / increase in cash and cash equivalents	(8,803)	3,111
Cash and cash equivalents at the beginning of the period	22,500	7,151
Cash and cash equivalents at the end of the period	13,697	10,262

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

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Issued, subscribed and paid-up capital	Revenue reserve-General	Accumulated loss	TOTAL
----- (Rupees in '000) -----				
Balance as at June 30, 2014 - as restated	56,902	10,000	(1,238,882)	(1,171,980)
- Profit after tax for the year ended June 30, 2015	-	-	45,272	45,272
- Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	45,272	45,272
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	18,337	18,337
Surplus realized on account of disposal of revalued machinery - net off tax	-	-	9,915	9,915
Balance as at June 30, 2015	56,902	10,000	(1,165,358)	(1,098,456)
- Profit after tax for the period ended September 30, 2015	-	-	23,016	23,016
- Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	23,016	23,016
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	4,250	4,250
Surplus realized on account of disposal of revalued machinery - net off tax	-	-	-	-
Balance as at September 30, 2015	56,902	10,000	(1,138,092)	(1,071,190)

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited 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 registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shakra-e-Quaid-e-Azam, Lahore. 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance. This condensed interim financial information of the Company for the quarter ended September 30, 2015 has been prepared in accordance with the requirements of International Accounting Standard 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 should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended June 30, 2015.

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 Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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

factors, including expectations of future events that are believed to be reasonable under the circumstances. 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, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended June 30, 2015.

4. CONTINGENCIES AND COMMITMENTS

4.1 CONTINGENCIES

Claims not acknowledged as debts in respect of various sub judice cases filed against the company for which the maximum possible liabilities could be approximately Rupees 2.912 million (June 30, 2015: Rupees 2.912 million).

4.2 Guarantees of Rupees 362.20 million (June 30, 2015: Rupees 380.01 million) issued by the banking and insurance companies to different parties on behalf of the company.

4.3 The Company has filed an appeal before CIR (A) against the order of Additional Commissioner Inland Revenue (ACIR). The ACIR has passed an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax years 2008, 2009 and 2010 whereby a demand of Rs 180.649 million has been raised. No provision against the demand has been made in these financial statements as the Company is hopeful of a favorable outcome of appeal based on opinion of the legal advisor. Further, the company had also impugned selection of its tax affairs for amended assessment under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2008 in Honorable Lahore High Court, Lahore through writ petition which in the opinion of the legal advisor will be decided in the company's favor. However, on 05 October 2015, enforcement division of Federal Board of Revenue (FBR) has forcefully withdrawn Rupees 105.797 million from the Company's bank account. This amount was withdrawn without serving any notice of demand from FBR. Management of Company has taken legal action against this act of FBR by filing a writ petition and further legal proceedings are in progress.

4.4 The Sui Gas authorities have claimed an amount of Rupees 19.21 million (June 30, 2015: Rupees 19.21 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.

COMMITMENTS

4.5 Capital expenditure commitments outstanding as at September 30, 2015 amounted to Nil (30 June 2015: Nil).

		September 30, 2015	June 30, 2015
	(Rupees in '000)-----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	8,566,623	8,570,860
Capital work-in-progress		16,691	17,176
		<u>8,583,314</u>	<u>8,588,036</u>

5.1 Operating fixed assets

Opening written down value	8,570,860	8,627,764
Add: Additions during the period/year	5,326	7,537
	<u>8,576,186</u>	<u>8,635,301</u>
Less: Disposals during the period/year (at book value)	-	(27,360)
	<u>8,576,186</u>	<u>8,607,941</u>
Less: Depreciation charged during the period/year	(9,563)	(37,081)
	<u>8,566,623</u>	<u>8,570,860</u>

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

Factory building	571	-
Plant and machinery	2,248	5,663
Office equipment	22	125
Computers	81	229
Vehicles	2,382	1,095
Electric equipment	22	-
Tools	-	425
	<u>5,326</u>	<u>7,537</u>

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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

	July - Sep 2015	July - Sep 2014
6. COST OF GOODS SOLD(Rupees in '000)-----	
Raw material consumed	268,782	120,545
Stores and spares consumed	42,670	15,763
Salaries and wages (including all benefits)	17,672	16,065
Fuel and power	8,362	6,644
Travelling and conveyance	152	137
Postage, telegrams and telephone	184	102
Printing stationery and office supplies	54	45
Inspection fee	743	1,626
Processing and fabrication charges	2,545	64
Service charges	1,084	874
Rent, rates and taxes	508	260
Repair and maintenance	646	294
Insurance	259	246
Vehicle running expenses	570	658
Other expenses	563	534
Depreciation	8,260	8,001
	353,054	171,858
(Increase) in work in process inventory	(41,908)	(24,361)
Cost of goods manufactured	311,146	147,497
(Increase) / decrease in finished goods inventory	(44,295)	1,140
Cost of goods sold	266,851	148,637
	July - Sep 2015	July - Sep 2014
7. CASH GENERATED FROM OPERATIONS(Rupees in '000)-----	
Profit before taxation	26,168	14,344
Adjustments for non cash charges and other items:		
Depreciation	9,572	9,414
Financial charges	3,537	4,189
Interest on workers' profit participation fund	437	1,388
Provision for gratuity	1,073	3
Gain on sale of property, plant and equipment	-	(1,342)
Profit before working capital changes	40,787	27,996
Effect on cash flow due to working capital changes:		
Increase/(decrease) in stores, spares and loose tools	12,352	(4,383)
(Decrease)/increase in stock in trade	(100,527)	50,021
(Decrease) in trade debts	(25,798)	(22,613)
(Decrease) in advances	(43)	(577)
Increase in trade deposits, prepayments and other receivables	18	1,692
Increase/(decrease) in trade and other payables	99,619	(44,477)
	(14,379)	(20,337)
	26,408	7,659
	September 30, 2015	June 30, 2015
8. TRANSACTIONS WITH RELATED PARTIES(Rupees in '000)-----	
STATE ENGINEERING CORPORATION		
Reimbursement of expenses	-	192
Reimbursement of expenses payable	151	151
Service charges paid	-	1,500
PAKISTAN MACHINE TOOL FACTORY		
Receivable at the end of the period	1,571	1,571

9. DATE OF AUTHORISATION FOR ISSUE

This financial information has been authorized for issue by board of directors on October 29, 2015.

SHAFQAT-UR-REHMAN RANJHA
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL
(DIRECTOR)

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

10. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.
Following significant re-arrangement has been made.

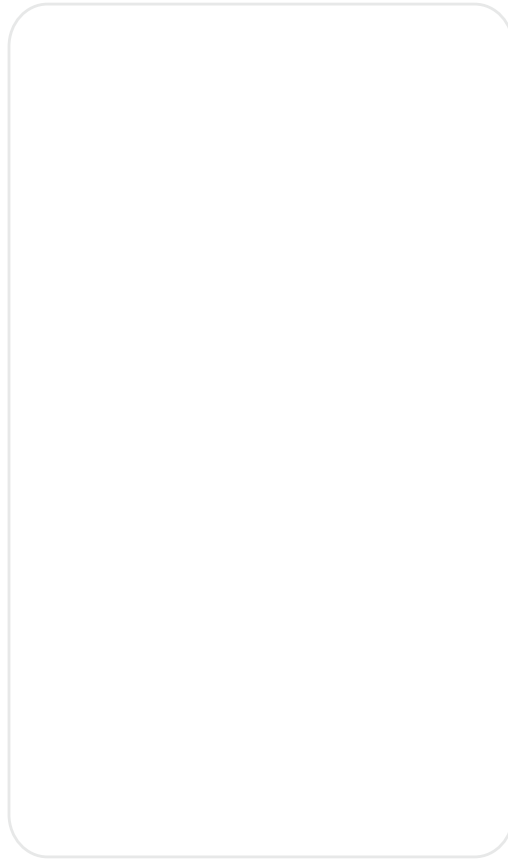
<u>Reclassification from component</u>	<u>Reclassification to component</u>	
Cost of Sales	Cost of Sales	Rupees '000
- Service charges	- Processing and fabrication charges	64

11. GENERAL

Figures have been rounded off to the nearest thousand rupees.



BOOK POST



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