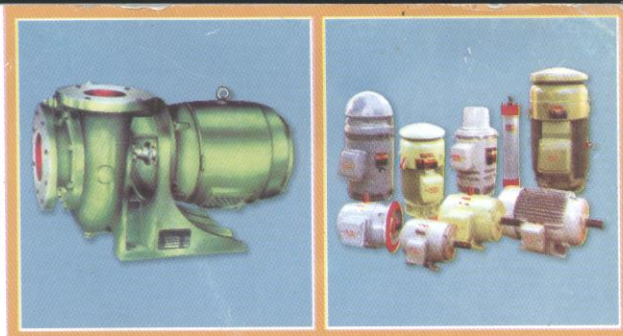


# 2012



Quarterly  
Report  
March 31, 2013



PAKISTAN ENGINEERING COMPANY LIMITED

**Board of Directors**

Mr. Abdul Jabbar Ali  
(Chairman/Director)  
Mr. Babar Hassan Bharwana  
(Chief Executive)  
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. Abdul Jabbar Ali

**Board HR &  
Remuneration Committee**

Mr. Abdul Jabbar Ali  
(Chairman)  
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 Thahim

**Registered Office**

6/7-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.

## DIRECTORS' REPORT

Dear Shareholders,  
Assalam- o- Alakum

On behalf of Board of Directors, I feel pleasure to present the financial statements for the period July –March 2013.

### Over view

During the period under review the Management has to face many challenges viz increase in input costs, load shedding of electricity and load management of gas, which adversely affected economic position of the country as a whole. Keeping in view the increasing trend of petrol prices in International market, the Government had to increase petroleum prices many times during July-2012 to March 2013, which also affected the prices of raw material and other inputs. These factors contributed to the inflationary trends.

The entire increase in costs could not be passed on the customers, because of very tough competition from Local as well as Foreign suppliers. Efforts were therefore made to get orders mix so that business volume could be maintained. The major supplies to WAPDA consisted of 220 KV & 11 KV towers and Steel Gantries / Accessories respectively. There was small tele-communication towers demand during the period under review.

Pumps/ Motors and Foundry business was also down compared with same period last year.

### Financial Results

The sale revenue during the period ending on 31.03.2013 was Rs. 354.0 million against Rs. 404.0 million of the same period of last year, a decrease of Rs. 50 million (12%). The gross loss of the Company for the period ended on March 31, 2013 was Rs. 42.0 million against gross loss of Rs. 51.0 million of same period last year. This showed a decrease of Rs. 9 million. Operating expenses during the period under review decreased from Rs. 42.0 million to Rs.36.0 million (14%).

Your Company has suffered a pre – tax loss of Rs. 91.0 million during the period ended on 31.3.2012 against loss of Rs. 120.0 million of the corresponding period of the last year. Major reasons of this loss was lesser orders from WAPDA, lesser production due to constraints of raw material, load shedding of electricity & gas and intensive competition especially of 11 Kv towers.

### Future outlook

We foresee that the business environment will continue to remain challenging. However, with a dedicated and hardworking team it shall be the endeavor of the management to convert challenges into opportunities.

The orders in hand position has improved and Company has orders in hand worth of Rs. 849 million and orders in pipe lines of Rs. 266 million. Efforts are in progress to maximize the sale volume, encounter the competition & increase the productivity.

### Acknowledgement

I, on behalf of Company management thank the Board of Directors and all our valued customers, stakeholders and other market intermediaries for their continued support and trust, enabling the Company to accept the challenges. It is encouraging to note that PECO customers continue to repose their confidence in view of the improvements in the delivery schedules and in obtaining high quality products.

On Behalf of the Board

Abdul Jabbar Ali  
(Chairman)

Date: April 29, 2013  
Islamabad

# CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2013

	March 31, 2013	June 30, 2012
	.....(Rupees in '000).....	
<b>ASSETS</b>		
<b>NON - CURRENT ASSETS</b>		
PROPERTY, PLANT AND EQUIPMENT	4,863,765	4,884,456
LONG TERM SECURITY DEPOSITS	663	663
	4,864,428	4,885,119
LAND HELD-FOR-SALE	314,724	314,724
<b>CURRENT ASSETS</b>		
Stores, Spares and Loose Tools	134,689	133,052
Stock-in-trade	212,933	397,216
Trade Debts	178,981	190,300
Loans & advances	5,643	5,238
Trade Deposits, Prepayments & Other Receivables	43,789	39,554
Cash and Bank balances	150,867	58,491
	726,902	823,851
<b>TOTAL ASSETS</b>	<b>5,906,054</b>	<b>6,023,694</b>
<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	(1,195,135)	(1,134,148)
	(1,128,233)	(1,067,246)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	4,874,003	4,882,209
<b>NON - CURRENT LIABILITIES</b>		
GOVERNMENT OF PAKISTAN LOANS	1,790,848	1,790,848
LONG TERM BORROWINGS	-	-
DEFERRED TAX LIABILITY - Net	39,068	61,327
	1,829,916	1,852,175
<b>CURRENT LIABILITIES</b>		
Trade & Other Payables	209,044	230,723
Mark-up Accrued - on Short term borrowing	3,022	3,757
Short Term Borrowing	108,353	108,638
Current maturity of long term borrowings	4,598	5,670
Provision for Taxation - Net	5,351	7,768
	330,368	356,556
<b>CONTINGENCIES AND COMMITMENTS</b>	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,906,054</b>	<b>6,023,694</b>

The annexed notes form an integral part of these Financial Statements.

BABAR HASSAN BHARWANA  
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL  
DIRECTOR

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



**FOR THE QUARTER & NINE MONTHS  
PERIOD ENDED MARCH 31, 2013**

	3 Months Jan-13 - Mar-13 (Rs. in 000's)	3 Months Jan-12 - Mar-12 (Rs. in 000's)	9 Months Jul-12 - Mar-13 (Rs. in 000's)	9 Months Jul-11 - Mar-12 (Rs. in 000's)
Sales	21,413	51,218	354,443	404,090
Cost of Goods Sold	(32,620)	(74,085)	(396,824)	(455,333)
<b>GROSS (LOSS)/ PROFIT</b>	<b>(11,207)</b>	<b>(22,867)</b>	<b>(42,381)</b>	<b>(51,243)</b>
<b>OPERATING EXPENSES</b>				
General and Administrative expenses	(10,997)	(9,882)	(31,698)	(34,858)
Selling and Distribution expenses	(1,364)	(843)	(4,054)	(3,070)
Freight and Forwarding expenses	(59)	(1,599)	(584)	(4,285)
	(12,420)	(12,324)	(36,336)	(42,213)
<b>(LOSS) / PROFIT FROM OPERATIONS</b>	<b>(23,627)</b>	<b>(35,191)</b>	<b>(78,717)</b>	<b>(93,456)</b>
Other charges	(149)	(6)	(539)	(11,259)
Financial charges	(4,337)	(6,021)	(16,186)	(19,633)
	(28,113)	(41,218)	(95,442)	(124,348)
Other Income	1,538	2,023	4,164	4,563
	(26,575)	(39,195)	(91,278)	(119,786)
Workers profit participation fund (LOSS)/PROFIT BEFORE TAXATION	(26,575)	(39,195)	(91,278)	(119,786)
<b>TAXATION</b>				
Current	-	-	(174)	(101)
Prior	-	-	-	-
DEFERRED	-	-	22,259	24,365
	-	-	22,085	24,264
<b>(LOSS) / PROFIT AFTER TAXATION</b>	<b>(26,575)</b>	<b>(39,195)</b>	<b>(69,193)</b>	<b>(95,522)</b>
<b>Basic Earnings per Share</b>	<b>(4.67)</b>	<b>(6.89)</b>	<b>(12.16)</b>	<b>(16.79)</b>

The annexed notes form an integral part of these Financial Statements.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER & NINE MONTHS PERIOD ENDED MARCH 31, 2013**

	Quarter ended 31, March		Nine months ended 31, March	
	2013	2012	2013	2012
	.....(Rupees in '000).....			
<b>(Loss) / profit after taxation for the year</b>	(26,575)	(39,195)	(69,193)	(95,522)
Other comprehensive income for the year - net of tax:				
Total comprehensive (loss) / income for the year- net of tax	(26,575)	(39,195)	(69,193)	(95,522)

The annexed notes form an integral part of these Financial Statements.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013**

	March 31, 2013	March 31, 2012
	.....(Rupees in '000).....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(91,278)	(119,784)
Adjustments for:		
Depreciation	21,809	22,381
Financial Charges	16,186	14,197
Interest on WPPF	3,698	4,781
Provision for gratuity and pension	-	57
Amortization Expenses	591	655
(Profit) / Loss on sale of tangible fixed assets	(700)	-
<b>(Loss) / Profit before working capital changes</b>	<b>(49,692)</b>	<b>(77,713)</b>
<b>Adjustments for working capital changes</b>		
(Increase) / Decrease in Current Assets	189,328	352,325
Increase / (Decrease) in Current Liabilities	(25,377)	(217,655)
Cash (used in) / generated from operations	114,259	56,957
Financial Charges Paid	(16,921)	(13,521)
Gratuity Paid	-	(26)
Income Tax Paid	(2,591)	(11,757)
Workers' Profit Participation Fund Paid	-	(1,702)
<b>Net cash (used in) / generated from operating activities</b>	<b>94,746</b>	<b>29,951</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure in property, Plant & Equipment	(2,649)	(10,800)
Capital work in progress	(431)	(5,360)
Long term security deposits	-	(100)
Proceeds from disposal of Fixed Assets	2,662	-
<b>Net cash (used in) investing activities</b>	<b>(418)</b>	<b>(16,260)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Movement In Long Term Loan	(1,668)	-
Movement In Short Term borrowing	(285)	-
Dividend Paid	-	(3)
<b>Net cash generated / (used in) financing activities</b>	<b>(1,953)</b>	<b>(3)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>92,376</b>	<b>13,688</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>58,491</b>	<b>58,335</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>150,867</b>	<b>72,023</b>

The annexed notes form an integral part of these Financial Statements.

BABAR HASSAN BHARWANA  
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL  
DIRECTOR

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(UN-AUDITED)

QUARTERLY REPORT 2013

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

	Share Capital	Revenue Reserve General	Accumulated Loss	Total
----- (Rupees in '000) -----				
<b>Balance as at July 01, 2011</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,045,849)</b>	<b>(978,947)</b>
<b>Total comprehensive (loss) for the year:</b>				
(Loss) after tax for nine months period ended March 31, 2012	-	-	(95,522)	(95,522)
Other Comprehensive Income	-	-	-	-
Surplus on revaluation of Fixed Assets realized during the year on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	8,710	8,710
- Disposal of assets held for sale - net of tax	-	-	-	-
	-	-	(86,811)	(86,811)
<b>Balance as at March 31, 2012</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,132,660)</b>	<b>(1,065,758)</b>
Total Comprehensive loss for the period				
Loss for the Period ended June 30, 2012	-	-	(4,391)	(4,391)
Other Comprehensive Income	-	-	-	-
Surplus on revaluation of Fixed Assets realized during the year on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	(4,391)	(4,391)
	-	-	2,904	2,904
	-	-	2,904	2,904
<b>Balance as at June 30, 2012</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,134,148)</b>	<b>(1,067,246)</b>
Total Comprehensive loss for the period				
Loss for the Period ended June 30, 2012	-	-	(69,193)	(69,193)
Other Comprehensive Income	-	-	-	-
Surplus on revaluation of Fixed Assets realized during the year on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	(69,193)	(69,193)
	-	-	8,206	8,206
	-	-	8,206	8,206
<b>Balance as at March 31, 2013</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,195,135)</b>	<b>(1,128,233)</b>

The annexed notes form an integral part of these Financial Statements.

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

### 1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited is incorporated in Pakistan and is listed on all Stock Exchanges of Pakistan. The address of its registered office is 6/7 Sir Ganga Ram Trust Building, Shahrah-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. The company has closed down its all divisions, except structure (STR) division, and is principally engaged in the manufacturing and sale of electricity transmission and communication towers. With the approval of the Board of Directors of the Company, Pumps, Electric Motors, Foundry & Rolling Mills have been re-started and are in operation.

### 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: and the Code of Corporate Governance.

### 4. CONTINGENCIES AND COMMITMENTS

- Claims not acknowledge as debts in respect of various sub judice cases filed against company for which maximum possible liabilities could be approximately Rs. 2.517 million (June 2012 : Rs. 2.517 million)
- Guarantees of Rs. 340.285 million (June 2012 : Rs. 293.091 million) issued by banks and insurance companies to different parties on behalf of company.
- The Sui Gas authorities have claimed an amount of Rs.31.730 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.

BABAR HASSAN BHARWANA  
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL  
DIRECTOR

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

	Quarter Ended 31, March		Nine Months Ended 31, March	
	2013	2012	2013	2012
	.....(Rupees in '000).....			
<b>5. COST OF GOODS SOLD</b>				
Raw material consumed	9,512	58,957	110,223	194,254
Stores & spares consumed	(83)	5,893	30,908	43,337
Salaries & Wages (including all benefits)	11,717	8,793	45,471	33,304
Fuel & power	2,171	3,407	7,531	17,132
Travelling and Conveyance	142	30	344	172
Postage, telegrams and Telephone	76	80	160	250
Printing stationery and office supplies	242	47	516	336
Inspection Fee	10	314	30	574
Service charges	51	16	94	89
Processing Charges	2,000	288	2,000	288
Subscription	13	-	13	35
Rent, Rate & Taxes	215	209	590	596
Repair & Maintenance	151	204	620	1,193
Insurance	107	70	328	291
Vehicle Running Expenses	587	364	1,711	1,243
Other expenses	107	55	577	224
Legal and Professional Charges	155	100	155	100
Depreciation	6,371	6,164	18,833	18,999
	<b>33,544</b>	<b>84,991</b>	<b>220,104</b>	<b>312,418</b>
(Increase) / decrease in work in process inventory	(1,488)	(7,095)	111,860	79,251
Cost of goods manufactured	<b>32,056</b>	<b>77,896</b>	<b>331,964</b>	<b>391,669</b>
(Increase) / decrease in finished goods inventory	564	(3,811)	64,860	63,664
Cost of Goods Sold	<b>32,620</b>	<b>74,085</b>	<b>396,824</b>	<b>455,333</b>

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

DESCRIPTION	March 31, 2013		June 30, 2012	
	ADDITION	DISPOSAL	ADDITION	DISPOSAL
	.....(Rupees in '000).....			
Factory Building	-	-	8,381	-
Plant and Machinery	820	-	-	-
Office Equipment	264	-	87	-
Furniture Fixture	48	-	29	-
Computers	151	-	110	-
Vehicles	1,126	3,362	2,046	-
Electric Equipment	-	-	158	-
Tools	240	-	-	-
	<b>2,649</b>	<b>3,362</b>	<b>10,811</b>	<b>-</b>

March 31, 2013    June 30, 2012  
.....(Rupees in '000).....

**7. CAPITAL WORK IN PROCESS**

Civil Works	6,323	6,323
Plant & Machinery	13,335	12,903
Advances To suppliers	101	101
	<b>19,759</b>	<b>19,327</b>

**8. TRANSACTION WITH RELATED PARTIES**

<b>State Engineering Corporation (SEC)</b>		
Outstanding SEC Service Charges Paid	2,000	1,000
Service Charges Payable To SEC	-	600
Reimbursement Of Expenses Payable	186	221
Reimbursement Of Expenses	320	483
<b>Pakistan Machine Tool Factory</b>		
Sale Made During the Period	-	5,315
Receivable At the end of the period	1,571	9,333

**9. DATE OF AUTHORIZATION**

This condensed interim financial information have been authorised for issue by Board of Directors on April 29, 2013.

**10. GENERAL**

Figures have been rounded off to the nearest thousand rupee

BABAR HASSAN BHARWANA  
(CHIEF EXECUTIVE)

MUHAMMAD IQBAL  
DIRECTOR