

BAWANYAIR
PRODUCTS LIMITED

QUARTERLY REPORT
MARCH 31, 2019
(UNAUDITED)

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Vali Mohammad M. Yahya Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Mikhail Bawany Mr. Wazir Ahmed Jogezeai Mr. Zakaria A. Ghaffar Mr. Siraj A. Kadir	Chairman-Non Executive Director Chief Executive Officer Executive Director Non Executive Director Non Executive Director Non Executive Director Independent Director
AUDIT & HR COMMITTEE	Mr. Siraj A. Kadir Mr. Vali Mohammad M. Yahya Mr. Zakaria A. Ghaffar Mr. Muhammad Munir	Chairman Member Member Secretary to Audit Committee
HEAD OF INTERNAL AUDIT	Mr. Muhammad Munir	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Mr. Muhammad Hashim	
AUDITORS	F.R. Merchant & Co. Chartered Accountants	
BANKERS	Faysal Bank Limited United Bank Limited MCB Bank Limited National Bank of Pakistan	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Tel: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan. Tel : 0853 - 363287-8, 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi. Tel : 3240-0440 Fax : 3241-1986	

QUARTERLY REVIEW

ASSALAM-O-ALAIKUM

On behalf of the Board of Directors, I am pleased to present the Directors' review report on performance of our Company for the third quarter ended March 31, 2019.

With nine months ending for the year 2019, the performance statistics are not satisfactory. There is a decline in revenue by Rs. 39 million as well as gross profit by Rs. 2.9 million however, the expenses have been controlled and curtailed to the minimum possible level due to which the bottom-line loss has not increased in that proportion. The main reason for decreased sales is the economic turmoil caused by the devaluation of rupee resultantly less business in Gadani ship breaking. There are fewer ships at Gadani as compared to prior period and that has significantly affected the revenues of the Company.

Management continues to sincerely search for investors and partners in order to support the financial health of the Company and we have strong faith in Almighty ALLAH that the efforts of the management will be fruitful. The Directors appreciate your patience, support and trust that you have expressed in the management of the Company in these difficult times.

On behalf of the Board



M. HANIF Y. BAWANY
Chief Executive Officer

Karachi.

Dated: April 24, 2019

سہ ماہی جائزہ

اسلام علیکم!

بورڈ آف ڈائریکٹرز کی جانب سے مجھے اختصاری عبوری مالیاتی گوشوارے برائے نو ماہی مدت تختہ 31 مارچ 2019ء پیش کرتے ہوئے اظہار مسرت ہے۔ سال 2019ء کے نو ماہ کے دوران کارکردگی کچھ زیادہ بہتر ثابت نہ ہو سکی جس میں آمدنی میں 39 ملین کی کمی ہوئی اور ساتھ ہی ساتھ خام منافع بھی 2.9 ملین سے کم رہا جس کی وجہ سے اخراجات کو کنٹرول اور کم کرتے ہوئے چلنی سطح تک لے آئے ہیں جس کی وجہ سے چلنی سطح پر نقصان میں کوئی اضافہ نہیں ہوا پچھلے سال کے مقابلے میں جس کی سب سے بڑی وجہ سیل میں کمی اور روپے کی قدر میں کمی کے ساتھ ساتھ گڈانی پر جہاز کی کٹائی کی کمی ہے پچھلے سال کے مقابلے میں گڈانی میں اس سال جہاز کم آئے جس کا سب سے بڑا اثر کمپنی کی انکم پر پڑا۔ مینجمنٹ مسلسل ایمانداری کے ساتھ سرمایہ کار اور شرکاء کی تلاش میں لگی ہوئی ہے تاکہ کمپنی کی مالی حالت بہتر ہو سکے اور کمپنی کو پورا یقین ہے اللہ کی ذات سے کہ ہماری کوشش کا آمد ہوگی ڈائریکٹر آپ کے صبر، تعاون اور بھروسے کو سراہتی ہے کہ آپ نے اس مشکل حالات میں کمپنی کی مینجمنٹ کا ساتھ دیا۔

منجانب بورڈ



ایم حنیف یو بی بوانی

چیف ایگزیکٹو آفیسر

کراچی

مورخہ 24 اپریل 2019

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2019**

		Unaudited March 31, 2019	Audited June 30, 2018
	Note	----- Rupees -----	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	173,089,324	177,559,562
Long-term deposits		3,036,494	3,161,358
Current Assets			
Stores and spares		1,000,302	1,017,199
Stock-in-trade		353,226	1,295,325
Trade debts		3,744,380	3,603,996
Advances and other receivables		2,620,792	4,485,976
Other financial assets		46,583	57,064
Taxation - net		5,485,904	5,452,708
Cash and bank balances		247,492	311,062
		13,498,679	16,223,330
Total Assets		189,624,497	196,944,250

EQUITY AND LIABILITIES

Share Capital and Reserves

Authorised capital		150,000,000	150,000,000
15,000,000 Ordinary shares of Rs.10/- each			
Issued, subscribed and paid-up capital		75,025,104	75,025,100
Loan from directors		4,225,000	4,225,000
Surplus on revaluation of property, plant and equipment - net	5	35,310,340	35,884,752
Accumulated loss		(62,676,269)	(52,547,247)
		51,884,175	62,587,605

Non Current Liabilities


Long-term financing		-	-
Long-term deposits		57,928,023	54,695,351

Current Liabilities

Trade and other payables		34,845,347	35,779,694
Accrued mark-up		2,906,021	2,304,434
Short-term borrowings		42,060,931	41,577,166
		79,812,299	79,661,294
Contingencies and Commitment	11	-	-
Total Equity and Liabilities		189,624,497	196,944,250

The annexed notes form an integral part of these condensed interim financial statement.


M. HANIF Y. BAWANY
Chief Executive Officer


MUHAMMAD HASHIM
Chief Financial Officer



ZAKARIA A. GHAFFAR
Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Note	Nine months period ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		----- Rupees -----		----- Rupees -----	
Sales - net		42,419,379	81,466,397	12,472,631	32,155,320
Cost of sales	6	(40,397,472)	(76,500,638)	(12,013,111)	(29,832,825)
Gross profit		2,021,907	4,965,759	459,520	2,322,495
Other operating income		127,964	697,068	127,964	687,836
Unrealized gain / (loss) on revaluation of other financial assets		(10,481)	(9,354)	-	-
		2,139,390	5,653,473	587,484	3,010,331
Distribution cost		(2,369,219)	(2,792,053)	(895,088)	(885,809)
Administrative expenses		(6,352,185)	(8,930,548)	(2,015,020)	(2,641,526)
Other operating expenses	7	(2,980,344)	(3,059,639)	(965,376)	(1,009,632)
Finance cost - net	8	(610,834)	(620,514)	(181,082)	(211,275)
Loss before taxation		(10,173,192)	(9,749,281)	(3,469,082)	(1,737,911)
Provision for taxation					
- current	9	(530,242)	(1,018,330)	(155,908)	(401,942)
- deferred		-	-	-	-
Loss for the period		(10,703,434)	(10,767,611)	(3,624,990)	(2,139,853)
Other comprehensive income		-	-	-	-
Total comprehensive income		(10,703,434)	(10,767,611)	(3,624,990)	(2,139,853)
Earnings per share - basic and diluted		(1.43)	(1.44)	(0.48)	(0.29)

The annexed notes form an integral part of these condensed interim financial statement.


M. HANIF Y. BAWANY
Chief Executive Officer


MUHAMMAD HASHIM
Chief Financial Officer


ZAKARIA A. GHAFFAR
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	<u>Six months period ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>
	----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
Loss for the period	(10,703,434)	(10,767,611)	(3,624,990)	(2,139,853)
Total comprehensive loss for the year	(10,703,434)	(10,767,611)	(3,624,990)	(2,139,853)


The annexed notes form an integral part of these condensed interim financial statement.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	<u>Issued,</u> <u>subscribed</u> <u>and paid-up</u> <u>capital</u>	<u>Surplus on</u> <u>revaluation of</u> <u>property, plant</u> <u>and equipment - net</u>	<u>Accumulated</u> <u>loss</u>	<u>Directors'</u> <u>subordinated</u> <u>loan</u>	<u>Total</u>
	----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
Balance as at July 1, 2017	75,025,104	36,702,131	(36,903,396)	4,225,000	79,048,839
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(604,400)	604,400	-	-
Total comprehensive income for the six months period ended March 31, 2018	-	-	(10,767,611)	-	(10,767,611)
Balance as at March 31, 2018	75,025,104	36,097,731	(47,066,607)	4,225,000	68,281,228
Balance as at July 1, 2018	75,025,104	35,884,752	(52,547,247)	4,225,000	62,587,609
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(574,412)	574,412	-	-
Total comprehensive income for the six months period ended March 31, 2019	-	-	(10,703,434)	-	(10,703,434)
Balance as at March 31, 2019	75,025,104	35,310,340	(62,676,269)	4,225,000	51,884,175

The annexed notes form an integral part of these condensed interim financial statement.


M. HANIF Y. BAWANY
Chief Executive Officer


MUHAMMAD HASHIM
Chief Financial Officer



ZAKARIA A. GHAFFAR
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

		March 31, 2019	March 31, 2018
	Note	----- Rupees -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(10,173,192)	(9,749,281)
Adjustments for:			
Depreciation		4,455,283	4,668,450
Loss on revaluation of other financial assets		10,481	9,354
Gain on disposal of assets		(127,964)	(687,049)
Liabilities adjusted with assets disposed off		-	707,128
Finance cost		610,834	620,514
Operating cash flows before working capital changes		<u>(5,224,558)</u>	<u>(4,430,884)</u>
Working capital changes	10	<u>1,749,449</u>	<u>3,980,632</u>
Net cash used in from operations		<u>(3,475,109)</u>	<u>(450,252)</u>
Finance cost paid		(9,247)	(604,968)
Income tax paid		<u>(563,438)</u>	<u>(1,304,565)</u>
Net cash used in operating activities		<u>(4,047,794)</u>	<u>(2,359,785)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of assets		<u>142,923</u>	-
		<u>142,923</u>	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities - net		3,232,672	965,213
Long-term deposits - assets - net		124,864	-
Repayment of long-term finance		-	-
Short-term borrowings - net		483,765	1,141,330
Net cash generated from financing activities		<u>3,841,301</u>	<u>2,106,543</u>
Net decrease in cash and cash equivalents (A+B+C)		<u>(63,570)</u>	<u>(253,242)</u>
Cash and cash equivalents at beginning of the period		<u>311,062</u>	<u>603,378</u>
Cash and cash equivalents at end of the period		<u>247,492</u>	<u>350,136</u>

The annexed notes form an integral part of these condensed interim financial statement.


M. HANIF Y. BAWANY
Chief Executive Officer


MUHAMMAD HASHIM
Chief Financial Officer


ZAKARIA A. GHAFFAR
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

1 THE COMPANY AND ITS OPERATIONS

- 1.1** Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978 and registered under the Companies Ordinance, 1984. Repealed with the enactment of Companies Act, 2017. The Company is listed on Pakistan Stock Exchange Limited. The principal activities of the Company are production and trading of oxygen gas, dissolved acetylene and nitrogen gas.

The geographical location and address of the Company's offices and factory are as under:

- The registered office and factory of the Company is situated at Khasra No. 52/53 R.C.D. Highway, Mouza Pathara, Tehsil Hub, Lasbella District in the province of Balochistan.
- The City office is located at 16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi.

1.2 GOING CONCERN ASSUMPTION

The Company has incurred a net loss of Rs. 7.078 million during the nine months ended March 31, 2019 and as of that date its accumulated losses amounted to Rs. 59.242 million. Its current liabilities exceeded its current assets by Rs.65.518 million. The operation of the Company have been suffering due to breakdown of its plant that has resulted in stoppage of production of liquid oxygen. The Company is facing adverse liquidity position and is unable to finance repair and replacement of its faulty equipments. The Company has also defaulted with its lender.

The above condition indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its obligations in the ordinary course of its business. However, in view of the management's claim to deal with the above situation, these financial statements have been prepared using the going concern assumption due to the fact that Company is in the process to find investors and exploring various other operations which may result in improvement in its adverse liquidity and financial position of the Company.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses.

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company as at and for the year ended June 30, 2018.

	Note	Un-audited March 31, 2019	Audited June 30, 2018
		----- Rupees -----	
4	PROPERTY, PLANT AND EQUIPMENT		
	Operating property, plant and equipment	<u>173,089,324</u>	<u>177,559,562</u>
4.1	Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2018: Rs.Nil) and disposals there from at net book value were Rs.Nil (June 30, 2018: Rs.51,050).		
5	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net		
	Surplus on freehold land	4.1 20,654,210	20,654,210
	Surplus on building on freehold land	4.2 14,656,130	15,230,542
		<u>35,310,340</u>	<u>35,884,752</u>
5.1	Movement of surplus on freehold land during the period		
	Revaluation surplus as at July 01	20,654,210	20,654,210
	Surplus arising on revaluation carried out during the year	-	-
		<u>20,654,210</u>	<u>20,654,210</u>
5.2	Movement of surplus on building on freehold land during the period		
	Revaluation surplus as at July 01	21,574,179	23,024,753
	Surplus arising on revaluation carried out during the year	-	-
		<u>21,574,179</u>	<u>23,024,753</u>
	Transferred to unappropriated profit in respect of incremental depreciation charged during the period, net of deferred tax	(574,412)	(817,379)
	Restatement of opening liability due to change in tax rate	(215,742)	(299,336)
	Related deferred tax liability of incremental depreciation charged during the period	(234,620)	-
	Revaluation surplus	-	(333,859)
		<u>20,549,405</u>	<u>21,574,179</u>
	Less: Related deferred tax liability on:		
	- revaluation as at July 1	(6,343,637)	(6,976,832)
	- surplus arising on revaluation carried out during the year	215,742	-
	- restatement of opening liability due to change in tax rate	-	299,336
	- incremental depreciation charged during the period, transferred to profit and loss account	234,620	333,859
		<u>(5,893,275)</u>	<u>(6,343,637)</u>
		<u>14,656,130</u>	<u>15,230,542</u>

	Nine months ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Rupees				
6 COST OF SALES				
Liquid oxygen purchased	34,054,235	68,521,322	9,778,997	26,983,941
Salaries and other allowances	2,494,131	2,953,879	790,950	983,137
Power, fuel and water	93,220	20,970	83,570	5,790
Stores and spares	16,897	247,680	4,195	233,029
Repairs, maintenance and handling	881,465	1,871,625	375,005	753,769
Insurance	-	(9,270)	-	(85,000)
Vehicles running and maintenance	-	212,002	(132,220)	64,800
Depreciation	1,364,001	1,442,138	445,154	470,591
Others	976,622	1,332,609	161,430	409,085
Maintenance and other charges recovered	(132,131)	(254,592)	(6,664)	(73,237)
	39,748,440	76,338,363	11,500,417	29,745,905
Finished goods				
Opening stock	952,079	362,045	815,741	286,698
Closing stock	(303,047)	(199,770)	(303,047)	(199,770)
	649,032	162,275	512,694	86,928
	40,397,472	76,500,638	12,013,111	29,832,833
7 OTHER OPERATING EXPENSES				
Depreciation on idle plant & related assets	2,935,344	3,039,639	965,376	999,632
Others	45,000	20,000	-	10,000
	2,980,344	3,059,639	965,376	1,009,632
8 FINANCE COST				
Interest/markup on				
Long-term financing	-	15,546	-	-
Short-term borrowings				
Bank	-	-	-	-
Provident Fund	601,587	583,760	177,449	201,934
	601,587	583,760	177,449	201,934
Bank charges	9,247	21,208	3,633	9,341
	610,834	620,514	181,082	211,275

8.1 This represents interest on loan and contributions payable to the Staff Provident Fund.

9 TAXATION

Charge for the current taxation is based on minimum tax on turnover @ 1.25% under section 113 of the Income Tax Ordinance, 2001.

	Unaudited	
	March 31, 2019	March 31, 2018
	----- Rupees -----	
10 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	16,897	8,430
Stock-in-trade	942,099	162,275
Trade debts	(140,384)	(1,025,003)
Advances and other receivables	1,865,184	(1,768,960)
Increase in current liabilities		
Trade and other payables	(934,347)	6,603,890
	<u>1,749,449</u>	<u>3,980,632</u>

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

The Company was selected for income tax audit for the period from July 2011 to June 2012. The assessing officer issued impugned order dated 2.01.2017 wherein the Appellant was order to pay income tax amount to Rs.9,999 million along with default surcharge and penalty. Being aggrieved with the order, the Company preferred the instant appeal contesting and that the Deputy Commissioner Inland Revenue passed the order without proper jurisdiction over the appellant's case.

The management and tax advisor of the Company are confident about the favourable outcome of the matter and hence, no provision has been made in these interim financial statement on this account.

11.2 Faysal Bank Limited has filed a law suit in the Banking Court No. IV at Karachi for recovery of their principal balance along-with mark-up on outstanding payments and liquidation damages amounting to Rs.13,077,752. The Company has challenged these allegations in the banking court on the basis that the amount is exaggerated, misconceived and false claims/pleas taken by the bank. The matter is being heard at the banking court. The management of the Company is confident about the favourable outcome of the matter.

Commitments

There were no commitments as at March 31, 2019 (June 30, 2018: Nil).

12 TRANSACTIONS WITH RELATED PARTIES

The related parties include a subsidiary Company, entities having directors in common with the Company, major shareholders of the Company, directors and other key management personnel and retirement benefit plans. Transaction with related parties, other than those disclosed elsewhere in the financial statements are as under:

Associated undertakings

Organization charges paid	364,664	144,517
Long-term loan re-paid to associated undertaking	16,235	68,670

Transactions with key management personnel

Salaries, benefits and other allowances	666,000	1,953,000
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Other related parties

Contribution made by the Company to retirement benefit plan	363,471	505,144
Mark up accrued on loan from retirement benefits plan	53,905	77,694

13 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 24, 2019 by the Board of Directors of the Company.

14 GENERAL

Figures presented in these condensed interim financial information have been rounded off to the nearest rupee, unless otherwise stated.



M. HANIF Y. BAWANY
Chief Executive Officer



MUHAMMAD HASHIM
Chief Financial Officer



ZAKARIA A. GHAFFAR
Director



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