

First Quarterly Report

March 2019



VISION

To be recognized as a leading organization that values customers' needs and provides motoring solutions with strong customer care.

MISSION

- ❑ Develop products of superior value by focusing on the customer
- ❑ Establish a refreshing and innovative company through teamwork
- ❑ Strive for individual excellence through continuous improvement

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Company Information

Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Tetsuya Fujioka	Dy. Managing Director
Shigeo Takezawa	Director
Kazuyuki Yamashita	Director
Moin M. Fudda	Director
Rukhsana Shah	Director

Chief Financial Officer

Miki Nakahara

Company Secretary

Abdul Nasir

Audit Committee

Moin M. Fudda	Chairman
Kinji Saito	Member
Shigeo Takezawa	Member

Human Resource and Remuneration (HR & R) Committee

Rukhsana Shah	Chairman
Kinji Saito	Member
Masafumi Harano	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Registrar

Central Depository Company of Pakistan Ltd. CDC House, 99 - B, Block "B", S.M.C.H.S, Main Shahrah-e-Faisal Karachi.

Legal Advisors

M/s Shahid Anwar Bajwa & Co.
ORR Dignam & Company

Bankers

Bank Alfalah Ltd.
Bank Al Habib Ltd.
Citibank N.A.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Limited
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.
The Bank of Punjab
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Registered Office

DSU-13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.
Tel No. (021) 34723551 - 58
Fax No. (021) 34723521 - 22
Website: www.paksuzuki.com.pk

Regional Offices

Lahore Office:

7-A, Aziz Avenue, Canal Bank Road, Gulberg V, Lahore.
Tel No. (042) 35775456, (042) 35775457
Fax No. (042) 35775467

Rawalpindi Office:

3rd Floor, 112-B Mallahi Plaza, Murree Road, Rawalpindi Cantt.
Tel No. (051) 5130230 - (051) 5130229
Fax No. (051) 5130232

Multan Office:

402, 4th Floor United Mall, Abdali Road Multan.
Tel No. (061)-4586499
Fax No. (061)-4516765

DIRECTORS' REPORT

On behalf of the Board, I present my review on the performance of the Company during first quarter ended March 31, 2019.

Industry Outlook

During the period (January – March 2019), sales volume of auto industry for cars and light commercial vehicles was recorded at 65,315 units compared to 68,596 units in corresponding period of last year, registering decrease of 5%. In Federal Budget 2018-19, Government imposed restriction on purchase of vehicles by non-filers of tax returns which adversely affected the sales volume of auto industry. Sales volume during the quarter January - March 2019 declined by 4.7% from 38,895 units to 37,083 units, in line with industry trend. The total sales volume of the Company represented 56% of Pakistan's total market of cars and light commercial vehicles. The Company operated at 97% capacity utilization and achieved production volume of 36,264 units.

During the period under review, the organized market (PAMA member companies) for motorcycles and three wheelers decreased from 485,649 units to 425,762 units. Decrease of 59,887 units represents 12% decline in sales volume over same period of last year. However, Company sales volume increased by 9% and achieved sales volume of 6,016 units as compared to sales volume of 5,538 units in corresponding period of last year.

Operating Results of the Company

Company incurred net loss of Rs 981 million compared to net profit Rs 904 million in same period of last year. Net sales revenues increased by 9% (Rs 2,936 million) from Rs 31,511 million (Jan-Mar 2018) to Rs 34,447 million (Jan-Mar 2019) due to increase in sales prices in current period. Gross profit decreased in absolute terms by Rs 1,498 million from Rs 2,617 million (Jan-Mar 2018) to Rs 1,119 million (Jan-Mar 2019). Gross profit margins as a percentage of net sales declined from 8.3% to 3.2% of net sales. Devaluation of Pak Rupee resulted in increase in imported material cost, consequently adversely affecting the gross profit margins.

The Economy

During the calendar year 2018, we witnessed sharpest increase in policy rates in recent time by State Bank of Pakistan (SBP). During calendar year 2019, policy rate further increased by 75 basis points to 10.75%. Average inflation for fiscal year 2019 is expected to remain in the range of 6.5% to 7.5% due to higher fiscal deficit, inflation and Pak Rupee depreciation. Pak Rupee is expected to remain under pressure in rising external debt scenario.

Government Policies

In March 2019, newly elected Government of Pakistan passed 'Finance Supplementary (Second Amendment) Act, 2019' implementing policy changes to address the issues faced by industry. Key changes relevant to auto sector includes:

- i. Permission granted to non-filers to purchase locally manufactured cars;
- ii. Super tax abolished from tax year 2020;
- iii. Tax @ 5% of Profit before tax in case of dividend distribution of less than 20% abolished from Tax year 2019, corresponding accounting year 2019 of Pak Suzuki;
- iv. 10% FED imposed on locally manufactured vehicles exceeding capacity of 1700cc; &
- v. Duties increased on imported cars from 20% to 25% for 1801-3000cc engine sizes and from 20% to 30% for over 3000cc engine sizes.

DIRECTORS' REPORT

Further, procedural changes introduced to regularize the import of used cars. It will be beneficial for local industry. We welcome the positive policy measures taken by the Government and expect that policies will be made to boost industrial growth of country.

Future Outlook & Conclusion

The Company is endeavoring to improve sales, profitability and diversity in its operations by upgrading the existing products and launching new products. In April 2019 the Company unveiled the new Alto at the Pakistan Auto Parts Show held at Karachi Expo Center. New Alto harbors contemporary 660cc R-series engine, modern design, spacious interior with great fuel efficiency and Japanese technology. Production of Alto has already started, and the car is set to launch for delivering to our customers anytime soon.

Your Company has geared up to meet the challenges in future with wide range of quality products at competitive prices through largest network of authorized dealers.



KINJI SAITO
Chairman

Karachi: 23rd April, 2019

Condensed Interim Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	15,813,787	15,654,827
Intangible assets		102,173	113,297
Long term investments	6	328,535	329,274
Long-term loans		4,079	4,203
Long-term deposits, prepayments and other receivables	7	465,008	456,208
Long-term installment sales receivables	8	140,030	118,318
Deferred taxation		<u>1,151,888</u>	<u>1,151,888</u>
		<u>18,005,500</u>	<u>17,828,015</u>
Current assets			
Stores, spares and loose tools		189,850	146,878
Stock-in-trade	9	26,523,392	29,397,056
Trade debts		298,317	237,538
Loans and advances		109,682	40,627
Trade deposits and short-term prepayments	10	1,076,013	1,357,271
Current portion of long-term installment sales receivables	8	592,022	549,627
Other receivables		176,066	268,622
Taxation - net		4,529,671	5,798,056
Sales tax and excise duty adjustable		4,004,121	4,369,996
Cash and bank balances	11	<u>3,968,965</u>	<u>1,516,163</u>
		<u>41,468,099</u>	<u>43,681,834</u>
Total assets		<u><u>59,473,599</u></u>	<u><u>61,509,849</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 500,000,000 (2018: 150,000,000) ordinary shares of Rs.10/- each		<u>5,000,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up capital		822,999	822,999
Capital Reserves		844,596	844,596
Revenue Reserves		<u>26,319,399</u>	<u>27,565,270</u>
		<u>27,986,994</u>	<u>29,232,865</u>
Current liabilities			
Trade and other payables		14,003,097	14,409,566
Short term finance	12	9,560,281	11,310,497
Advances from customers		3,710,141	2,276,078
Security deposits		4,155,741	4,222,249
Provision for custom duties and sales tax		36,299	36,299
Unclaimed dividend		21,046	22,295
		<u>31,486,605</u>	<u>32,276,984</u>
Total equity and liabilities		<u><u>59,473,599</u></u>	<u><u>61,509,849</u></u>
Contingencies and commitments			

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The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Profit or Loss Account (Unaudited)

For the quarter ended 31 March 2019

	Note	Quarter ended	
		31 March 2019	31 March 2018
----- (Rupees in '000) -----			
Sales		34,447,138	31,510,787
Cost of sales		(33,328,702)	(28,893,992)
Gross profit		1,118,436	2,616,795
Distribution and selling costs		(742,967)	(803,827)
Administrative expenses		(626,546)	(498,299)
Other income	14	49,981	176,112
Finance costs	15	(326,805)	(73,344)
Workers' profit participation fund		-	(70,846)
Workers' welfare fund		-	(26,922)
		(1,646,337)	(1,297,126)
Share of loss of equity accounted investee		(739)	(502)
(Loss) / profit before taxation		(528,640)	1,319,167
Taxation		(452,104)	(415,024)
(Loss) / profit after taxation		(980,744)	904,143
----- (Rupees) -----			
(Loss) / Earnings per share - basic and diluted		(11.92)	10.99

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter ended 31 March 2019

	Quarter ended	
	31 March 2019	31 March 2018
	----- (Rupees in '000) -----	
(Loss) / profit for the period	(980,744)	904,143
Other comprehensive (loss) / income		
Items that may not to be reclassified subsequently to profit or loss account		
Re-measurement (loss) / gain on defined benefit plan - net	(5,059)	4,665
Total comprehensive (loss) / income for the period	<u>(985,803)</u>	<u>908,808</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended 31 March 2019

	Note	31 March 2019	31 March 2018
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	4,318,468	3,741,997
Finance costs paid		(326,808)	(73,344)
Taxes refund / (paid)		816,281	(265,346)
Long term loans - net		124	(1,145)
Long-term deposits, prepayments and other receivables		(8,800)	(50,356)
Long-term installment sales receivables		(21,712)	44,430
Net cash generated from operating activities		4,777,553	3,396,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment including capital work in progress		(578,738)	(1,304,080)
Purchase of intangible assets		(12,709)	(4,536)
Investment in associated company		-	(50,000)
Proceeds from disposal of property, plant and equipment		2,177	3,532
Profit received on bank deposits		15,984	139,625
Net cash used in investing activities		(573,286)	(1,215,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,249)	(89)
Net increase in cash and cash equivalents		4,203,018	2,180,688
Cash and cash equivalents at beginning of the period		(9,794,334)	9,189,552
Cash and cash equivalents at end of the period		(5,591,316)	11,370,240
Cash and cash equivalent comprise of			
Cash and bank balances		3,968,965	11,370,240
Short term finance		(9,560,281)	-
		(5,591,316)	11,370,240

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended 31 March 2019

	Share Capital	Capital reserves		Reserves			Total reserves	Total
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	General	Unappropriated profit	Re-measurement loss on defined benefit plan		
	----- (Rupees in '000) -----							
Balances as at 1 January 2018	822,999	584,002	260,594	24,144,818	3,827,786	(90,483)	28,726,717	29,549,716
Total comprehensive income for the period ended 31 March 2018								
Profit for the period	-	-	-	-	904,143	-	904,143	904,143
Other comprehensive income	-	-	-	-	-	4,665	4,665	4,665
	-	-	-	-	904,143	4,665	908,808	908,808
Transactions with owners recorded directly in equity - distributions								
Final dividend on ordinary shares @ 186% for the year ended 31 December 2017	-	-	-	-	(1,530,777)	-	(1,530,777)	(1,530,777)
Transfer to general reserve	-	-	-	2,295,000	(2,295,000)	-	-	-
Balance as at 31 March 2018	822,999	584,002	260,594	26,439,818	906,152	(85,818)	28,104,748	28,927,747
Balances as at 1 January 2019	822,999	584,002	260,594	26,439,818	1,300,117	(174,665)	28,409,866	29,232,865
Total comprehensive loss for the period ended 31 March 2019								
Loss for the period	-	-	-	-	(980,744)	-	(980,744)	(980,744)
Other comprehensive loss	-	-	-	-	-	(5,059)	(5,059)	(5,059)
	-	-	-	-	(980,744)	(5,059)	(985,803)	(985,803)
Transactions with owners recorded directly in equity - distributions								
Final dividend on ordinary shares @ 31.6% for the year ended 31 December 2018	-	-	-	-	(260,068)	-	(260,068)	(260,068)
Transfer to general reserve	-	-	-	1,039,000	(1,039,000)	-	-	-
Balance as at 31 March 2019	822,999	584,002	260,594	27,478,818	(979,695)	(179,724)	27,163,995	27,986,994

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

1 STATUS AND NATURE OF BUSINESS

Pak Suzuki Motor Company Limited (the Company) was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (PACO) and Suzuki Motor Corporation, Japan (the Holding Company). The Company is engaged in the assembling, progressive manufacturing and marketing of Suzuki cars, pickups, vans, 4x4s and motorcycles and related spare parts. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at DSU - 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

The Company's interest in equity accounted investee comprise 40% equity interest in company namely; Techno Auto Glass Limited as more fully detailed in note 6.1 to the condensed interim financial statements.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for the interim financial reporting comprise of International Accounting Standards (IAS) 34 "Interim Financial Reporting " issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provision of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements of the Company for the year ended 31 December 2018.

3.2 Change in accounting standards, interpretations and amendments to published approved accounting standards.

a) Amendments to published approved accounting standards which are effective during the period:

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on January 1, 2019. However, these do not have any significant effect on the Company's financial reporting and operations and therefore, have not been disclosed in these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 31 December 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements as at and for the year ended 31 December 2018.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	31 March 2019 (Unaudited) (Rupees in '000)	31 December 2018 (Audited)
Operating fixed assets		7,519,932	7,820,608
Capital work in process	5.2	8,293,855	7,834,219
		<u>15,813,787</u>	<u>15,654,827</u>

5.1 The following are the additions and disposals of property, plant and equipment during the current period:

	For the quarter ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
Additions / transfer from CWIP		
Buildings on leasehold land - factory building	5,282	61,915
Plant and machinery	27,589	133,396
Permanent and special tools	3,216	17,535
Jigs and fixtures	15,498	4,689
Furniture and fittings	50	31,444
Vehicles	63,673	18,335
Air conditioners and refrigerators	642	891
Office equipments	2,721	6,356
Computers	431	2,287
Tooling at vendor premises	-	43,274
	<u>119,102</u>	<u>320,122</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

Disposal - at book value

Vehicles	536	694
Air conditioners and refrigerators	28	-
Computers	21	-
Office equipments	35	-
	<u>620</u>	<u>694</u>

5.2 Capital Work in Progress

	31 March 2019 (Unaudited) (Rupees in '000)	31 December 2018 (Audited)
Plant and machinery	8,284,391	7,774,888
Civil works	9,464	59,331
	<u>8,293,855</u>	<u>7,834,219</u>

During the current period, additions to capital work-in-progress were Rs. 520 million (March 31, 2018: 1,295 million) and transfer to fixed assets were Rs. 60 million (March 31, 2018: 311 million).

6. LONG TERM INVESTMENTS

	Note	31 March 2019 (Unaudited) (Rupees in '000)	31 December 2018 (Audited)
Investment in related party (equity accounted)			
Investment in associate - unquoted			
- Tecno Auto Glass Limited			
34,440,000 (2018: 34,440,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 40%)	6.1	328,535	329,274
Other investments			
Available for sale - Unquoted			
- Arabian Sea Country Club Limited			
500,000 (2018: 500,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.45%)		5,000	5,000
Provision for impairment in the value of investment		(5,000)	(5,000)
-			
- Automotive Testing & Training Centre (Private) Limited			
125,000 (2018: 125,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.94%)		1,250	1,250
Provision for impairment in the value of investment		(1,250)	(1,250)
-			
		<u>328,535</u>	<u>329,274</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

- 6.1** The shareholders of the Company in their extra-ordinary general meeting held on 16 February 2017 approved the proposal for long term equity investment of Rs. 344.4 million for setting up Tecno Auto Glass Limited ["TAG"] for the manufacturing of automobile glass under Technical Assistance Agreement with Asahi India Solutions Limited. TAG is a joint venture company between Tecno Pack Telecom (Private) Limited ["TPT"] and the Company where the Company holds 40% shareholding and balance 60% is held by the TPT. TAG is an associated company of the Company due to 40% shareholding. Upto balance sheet date, the Company has made investment of Rs. 344.4 million.

TAG has not yet commenced its commercial operations. The associates share of loss has been included in these financial statement based on unaudited financial statement of the investee company as at 31 March 2019.

7. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits		38,904	35,295
Prepayments		2,046	2,597
Other receivable from employees	7.1	508,987	499,571
Less: Receivable within one year		(84,929)	(81,255)
		424,058	418,316
		<u>465,008</u>	<u>456,208</u>

- 7.1** This represents receivable against vehicles given to employees under the Vehicle Ownership Employee Scheme. These receivables are interest free and secured against the personnel guarantees and provident fund balances of the respective employees. These are receivable in maximum eighty-four equal monthly installments.

8. LONG TERM INSTALLMENT SALES RECEIVABLES - secured, considered good

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
	(Rupees in '000)	
Installment sales receivables	770,633	704,273
Less: Unearned finance income	(13,470)	(13,558)
	757,163	690,715
Less: Provision for doubtful advances	(25,111)	(22,770)
	732,052	667,945
Less: Current maturity	(592,022)	(549,627)
	<u>140,030</u>	<u>118,318</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

- 8.1** This represents balances receivable under various installment sale agreements in equal monthly installments. These include installment sales to customers (motorcycles) and registered vendors of the Company. In case of installment sales to customers, the Company retains the title and registers the documents of the motorcycles in its name as a security. For installment sales to vendors, vehicles are lien marked and registered in joint names of vendor and the Company. Such documents are retained in Company's custody and transferred in the name of customers / vendor after the entire dues are cleared. Mark-up on installment sales receivables range from 9% to 28% (2018: 9% to 28%) per annum, excluding up to 18 months installment sales which are subject to 0% markup. However, overdue rentals are subject to additional surcharge.

9. STOCK IN TRADE

Raw material and components [including items in transit
Rs 6,123.03 million (2018 : Rs 6,063.46 million)]

10,750,798 14,484,249

Less: Provision for slow moving and obsolete items

- at beginning of the period

86,360 31,444

- provision during the period

34,081 54,916

120,441 86,360

10,630,357 14,397,889

Work-in-process

111,899 56,425

Finished goods

14,307,576 12,929,908

Trading stocks [Including items in transit Rs 68.154 million
(2018: Rs. 52.489 million)]

1,549,728 2,072,049

Less: Provision for slow moving and obsolete items

- at beginning of the period

59,215 65,786

- Provision / (reversal) during the period

16,953 (6,571)

76,168 59,215

1,473,560 2,012,834

26,523,392 29,397,056

- 9.1** Of the aggregate amount, stocks worth Rs. 8,961 million (2018: Rs. 7,216.59 million) were in the custody of dealers and vendors dispersed all over the Pakistan.

- 9.2** Raw material and components, work-in-process, finished goods and trading stocks have been written down by Rs. 147.89 million, Rs. 0.01 million, Rs. 1.74 million and Rs. 210.68 million (2018: Rs. 272.25 million, Rs. 0.02 million, Rs. 1.12 million and Rs. 309.08 million) respectively to arrive at net realizable value.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

31 March
2019
(Unaudited)
(Rupees in '000)

31 December
2018
(Audited)

Trade deposits	1,132	1,972
Margin with banks against letter of credit and imports	499,890	1,077,955
	501,022	1,079,927
Prepayments		
- Collector of custom	457,712	211,030
- Rent	45,088	50,439
- Insurance	44,718	2,049
- Others	27,473	13,826
	574,991	277,344
	<u>1,076,013</u>	<u>1,357,271</u>

11. CASH AND BANK BALANCES

Cash in hand		11,637	9,507
Cash at banks:			
- in deposit accounts	11.1	1,924,796	355,164
- in a special deposit account	11.2	121,955	117,955
- in current accounts		1,910,577	1,033,537
		3,957,328	1,506,656
		<u>3,968,965</u>	<u>1,516,163</u>

11.1 These carry profits rates ranging from 6.10% to 9.75% (2018: 6.10% to 7.30%) per annum.

11.2 A special account is maintained in respect of security deposits in accordance with the requirements of Section 217 of the Companies Act, 2017.

12. SHORT TERM FINANCE

The effective rate of mark-up on short-term running finance facility ranges from 10.84% to 11.93% (2018: 8.8% to 10.4%) per annum. These facilities are renewable subject to payment of repurchase price on specified dates. The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The total limit of short term running financing facilities available from banks aggregate to Rs. 16,853.10 million (2018: Rs. 15,547.76 million) out of which Rs. 7,292.82 million (2018: 4,237.27 million) remained unutilised as of reporting date. Out of the total available facilities one of the arrangement amounting Rs. 2,000 million (2018: 2,000 million) is secured against support from holding company, Suzuki Motor Corporation. Remaining Facilities are secured by way of pari passu hypothecation charge over Company's stock & trade debts.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

13. CONTINGENCIES AND COMMITMENTS

- 13.1** Capital expenditure contracted for but not incurred amounted to Rs. 413.537 million (2018: Rs. 930.907 million).
- 13.2** The facilities for opening letters of credit as at 31 March 2019, amounted to Rs. 10,400 million (2018: Rs. 10,400 million) of which the amount remaining unutilised at the period end was Rs. 9,778.72 million (2018: Rs. 9,778.72 million).
- 13.3** The facilities for opening letters of guarantee as at 31 March 2019 amounted to Rs. 1,976 million (2018: 1,728 million) of which the amount remaining unutilized at March end was Rs. 479 million (2018: 365.486 million)
- 13.4** The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, associated company, amounting Rs. 600 million to a Bank limited in relation to borrowing facilities granted to the associated company.

14. OTHER INCOME

		For the quarter ended	
		31 March	31 March
		2019	2018
		(Rupees in '000)	
Mark-up on bank balances		16,540	137,947
Commission income	14.1	750	750
Finance income on installment sales		4,143	7,841
		<u>21,433</u>	<u>146,538</u>
Gain on disposal of fixed assets		1,556	2,838
Extended warranty income		4,814	8,783
Scrap sales		7,050	4,138
Miscellaneous income		15,128	13,815
		28,548	29,574
		<u>49,981</u>	<u>176,112</u>

- 14.1** This represent commission income on corporate guarantee provided to a bank on behalf of Tecno Auto Glass Limited, associated company, amounting to Rs. 600 million in relation to borrowing facilities granted to the associated company.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

15. FINANCE COST

Mark-up on short term finance	264,997	-
Mark-up on workers' profit participation fund	93	508
Exchange loss - net	41,140	60,559
Bank charge:	20,575	12,277
	<u>326,805</u>	<u>73,344</u>

16. CASH GENERATED FROM OPERATIONS

	For the quarter ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
(Loss) / profit before taxation	(528,640)	1,319,167

Adjustments for non cash charges and other items:

Depreciation	419,158	377,014
Amortisation	23,832	21,682
Gain on disposal of fixed assets	(1,556)	(2,838)
Share of loss of equity accounted investee	739	502
Profit on bank balances	(16,540)	(137,947)
Finance cost	326,805	73,344
	752,438	331,757
Working capital changes	16.1 4,094,670	2,091,073
	<u>4,318,468</u>	<u>3,741,997</u>

16.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spares and loose tools	(42,972)	(7,516)
Stock in trade	2,873,664	1,306,529
Current portion of long-term installment sales receivables	(42,395)	(108,122)
Trade debts	(60,779)	(409,465)
Loans and advances	(69,055)	(3,915)
Trade deposits and short term prepayments	281,258	29,352
Other receivables	93,112	28,482
Sales tax and excise duty adjustable	365,875	164,629
	<u>3,398,708</u>	<u>999,974</u>

Increase in current liabilities

Trade and other payables	(671,593)	(640,665)
Security deposits	(66,508)	209,965
Advances from customers	1,434,063	1,521,799
	<u>695,962</u>	<u>1,091,099</u>
	<u>4,094,670</u>	<u>2,091,073</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the period are as follows:

For the three months ended 31 March 2019	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		
Purchases of components	4,322,481	5,491,872	9,814,353
Purchases of fixed assets	58,194	-	58,194
Sales including exports sales	19,297	4,305	23,602
Royalty and technical fee	457,078	-	457,078
Sales promotional and development expenses	2,089	-	2,089
Commission income from Corporate Guarantee	-	750	750
Staff retirement benefits	-	31,124	31,124
	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		

For the period ended 31 March 2018

Purchases of components	5,167,627	4,375,339	9,542,966
Purchases of fixed assets	189,353	-	189,353
Sales including exports sales	2,426	4,568	6,994
Royalty and technical fee	514,475	-	514,475
Travelling expenses of supervisors	3,974	-	3,974
Commission income from corporate guarantee	-	750	750
Sales promotional and development expenses	13,818	1,190	15,008
Staff retirement benefits	-	26,822	26,822

18. SEGMENT ANALYSIS

The activities of the Company have been grouped into two operating segments, i.e. automobile and motorcycle as follows:

	31 March 2019 (Unaudited)			31 March 2018 (Unaudited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	----- (Rupees in '000') -----					
Segment results						
Sales	33,532,725	914,413	34,447,138	30,762,953	747,834	31,510,787
Gross profit	1,016,670	101,766	1,118,436	2,549,767	67,028	2,616,795
Distribution costs	(728,436)	(14,531)	(742,967)	(797,605)	(6,222)	(803,827)
Administrative expenses	(580,720)	(45,826)	(626,546)	(452,979)	(45,320)	(498,299)
Operating (loss)/profit	(292,486)	41,409	(251,077)	1,299,183	15,486	1,314,669
Other income	42,744	7,237	49,981	164,073	12,039	176,112
Finance cost	(325,122)	(1,683)	(326,805)	(73,838)	494	(73,344)
	(574,864)	46,963	(527,901)	1,389,418	28,019	1,417,437

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2019

Unallocated corporate expenses

Other expenses	-	(97,768)
Share of loss of equity accounted investee	(739)	(502)
Taxation	(452,104)	(415,024)
(Loss)/Profit after taxation	<u>(980,744)</u>	<u>904,143</u>

Capital expenditure	<u>555,411</u>	<u>23,327</u>	<u>578,738</u>	<u>1,230,977</u>	<u>73,103</u>	<u>1,304,080</u>
Depreciation	<u>387,506</u>	<u>31,653</u>	<u>419,159</u>	<u>346,807</u>	<u>30,208</u>	<u>377,015</u>

	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
----- (Rupees in '000') -----						
Assets						
Segment assets	43,169,146	2,145,207	45,314,353	46,060,015	2,015,834	48,075,849
Unallocated corporate assets	-	-	14,159,246	-	-	13,434,000
	<u>43,169,146</u>	<u>2,145,207</u>	<u>59,473,599</u>	<u>46,060,015</u>	<u>2,015,834</u>	<u>61,509,849</u>
Liabilities						
Segment liabilities	21,840,262	65,016	21,905,278	20,878,740	87,747	20,966,487
Unallocated corporate liabilities	-	-	9,581,327	-	-	11,310,497
	<u>21,840,262</u>	<u>65,016</u>	<u>31,486,605</u>	<u>20,878,740</u>	<u>87,747</u>	<u>32,276,984</u>

19. GENERAL

Figures in this condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on April 23, 2019.



Chairman



Chief Financial Officer



Chief Executive Officer

ڈائریکٹرز رپورٹ

معیشت:

2018 کے دوران، ہم نے پالیسی ریٹس میں اسٹیٹ بینک کی طرف سے کافی اضافہ دیکھا۔ 2019 میں، پالیسی ریٹ 75 پوائنٹ سے بڑھ کر 10.75 ہو گیا تھا۔ مالی سال 2019 میں ملکی مالیاتی خسارے، مہنگائی اور پاکستانی روپے کی بے قدری کی وجہ سے مہنگائی 6.5 سے 7.5 فیصد کے درمیان رہے گی۔

گورنمنٹ پالیسیز:

مارچ 2019 میں موجودہ نئی حکومت نے فائننس سٹیبلٹی ایکٹ پاس کیا، 2019 کی پالیسیز کو بدلنا پڑا کیونکہ انڈسٹری میں کافی مسائل تھے۔ آٹو سیکٹر

میں کلیدی تبدیلیوں میں مندرجہ ذیل نقطے شامل ہیں:

- 1۔ نان فائلرز کو مقامی گاڑیاں خریدنے کا اجازت نامہ
- 2۔ سوپر ٹیکس کو ختم کر دیا جائے گا سال 2020 سے
- 3۔ منافع قبل از محصول پہ 5 فیصد ٹیکس جو کہ 20 فیصد سے کم ڈیوڈنڈ سٹریٹیجیوں پہ لگتا تھا 2019 سے ختم کیا جا رہا ہے جو کہ پاک سوزوکی کا اکاؤنٹنگ سال 2019 ہے۔

4۔ 10 فیصد ایف ای ڈی کا اطلاق مقامی طور پر تیار گاڑیوں پر ہو گا جن کی کلیسیٹی 1700 سی سی سے زیادہ ہوگی

5۔ 1801 سے 3000 تک کی گاڑیوں پر ڈیوٹی 20 فیصد سے بڑھا کے 25 فیصد کر دی گئی ہے اور 3000 سی سی سے زائد گاڑیوں پر ڈیوٹی 20 فیصد سے بڑھا کر 30 فیصد کر دی گئی ہے۔

مزید یہ کہ باضابطہ تبدیلیاں استعمال شدہ کاروں کی برآمد کو ریگولر انز کر لے کے لئے متعارف کروائی گئی ہیں۔ یہ مقامی صنعت کے لئے فائدہ مند ہوگا، ہم خوش آمدید کہتے ہیں اس پالیسی کو جو کہ حکومت کی طرف سے لی گئی ہے اور امید کرتے ہیں کہ یہ پالیسی انڈسٹری کی گروتھ کے لئے فائدہ مند ثابت ہوگی۔

مستقبل کا نتیجہ اور اختتامیہ:

کمپنی موجودہ مصنوعات کی بہتری کے ذریعے اور نئی مصنوعات متعارف کروا کر بہتر سلیز بہتر منافع کے لئے کوشاں ہے، اپریل 2019 میں کمپنی نے نئی آلٹو متعارف کروائی پاکستان آلٹو پارٹس شو میں جو کہ کراچی ایکسپو سینٹر میں منعقد ہوا۔ نئی آلٹو میں 660 سی سی R سیریز انجن، ماڈرن ڈیزائن، خوبصورت انٹیریئر زبردست فیول ایفیشینسی اور جاپانی ٹیکنالوجی ہے۔ آلٹو کی پروڈکشن شروع ہو چکی ہے اور گاڑی ہمارے محترم کسٹمرز کو ڈیلیوری کے لئے بہت جلد مہیا کر دی جائیگی۔

معیاری مصنوعات کی وسیع رینج سے آنے والے چیلنجز نمٹنے کے لئے آپ کی کمپنی تیار ہے۔

ڈائریکٹرز رپورٹ

بورڈ کی طرف سے، میں سال 2019 کے پہلے سہ ماہی مہینہ مارچ کی رپورٹ پر تبصرہ کرنا چاہتا ہوں۔

صنعتی تجزیہ:

(جنوری۔ مارچ 2019) کے دوران، گاڑیوں کی اور ہلکی تجارتی گاڑیوں کی آٹو انڈسٹری کی سیلز والیم 65,315 یونٹ ریکارڈ کی گئی جو کہ پچھلے سال اسی مدت میں 68,596 یونٹ تھی، جو کہ 5 فیصد کمی رجسٹرڈ کی گئی۔ وفاقی بجٹ 19-2018 میں، گورنمنٹ نے ٹیکس ریٹرن کے نان فائلرز کو نئی گاڑیاں خریدنے پر پابندی عائد کر دی کہ جس کی وجہ سے آٹو انڈسٹری کی سیلز والیم پر گہرے اثرات مرتب ہوئے۔ سہ ماہی عشرے (جنوری۔ مارچ 2019) کے دوران سیلز والیم میں 4.7 فیصد کمی 38,895 یونٹ سے کم ہو کر 37,083 یونٹ جو کہ انڈسٹری کے ٹرینڈز کے مطابق ہوئی۔ کمپنی کی پوری سیلز والیم 56 فیصد پاکستان کی پوری گاڑیوں کی اور ہلکی تجارتی گاڑیوں کی نمائندگی ظاہر کرتا ہے۔ کمپنی نے 97 فیصد پیداواری صلاحیت میں کام کیا اور 36,264 یونٹ کی پروڈکشن والیم کو حاصل کیا۔

اسی مدت کے جائزہ کے دوران، موٹر سائیکل اور تھری ویلر مارکیٹ (PAMA ممبر کمپنیز) کے یونٹ 485,649 سے کم ہو کر 425,762 یونٹ پر آگئے۔ 59,887 کے یونٹ میں کمی 12 فیصد سیلز والیم میں کمی کو ظاہر کرتا ہے پچھلے سال کے اسی مدت کے دوران کے مقابلے۔ لیکن کمپنی کی سیلز والیم 9 فیصد سے بڑھ گئی اور 6,016 یونٹ حاصل کئے جو کہ پچھلے سال 5,538 یونٹ اسی مدت کے دوران تھے۔

کمپنی کے زیر نظر نتائج:

981 ملین روپے کے نقصان کا موازنہ نیٹ پرافٹ 904 ملین روپے سے کیا گیا اسی سال کے دوران اسی مدت میں۔ نیٹ سیلز ریونیوز 9 فیصد سے بڑھا (2,936 ملین روپے) 31,511 ملین روپے (جنوری۔ مارچ 2018) سے بڑھ کر 34,447 ملین روپے (جنوری۔ مارچ 2019) کی مدت کے دوران ہو گئی اس کی وجہ سے پرائز میں اضافہ ہے۔ روپے کی قدر میں کمی کا نتیجہ ایمپورٹڈ میٹریل کا سٹ میں اضافہ ہے۔ جو کہ گراس پرافٹ مارجن میں کمی کی وجہ بنا ہے۔

گراس پرافٹ 1,498 ملین روپے سے کم ہوا جو کہ (جنوری۔ مارچ 2018) میں 2,617 ملین تھا اور (جنوری۔ مارچ 2019) میں 1,119 ملین روپے پہ آ پہنچا۔ گراس پرافٹ مارجن 8.3 فیصد سے کم ہو کر 3.2 فیصد پہ آ پہنچا ہے۔



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