



Quarterly & Half Yearly Financial Statements

(Un-Audited)

December 31, 2019



Sazgar Engineering Works Limited





SAZGAR ENGINEERING WORKS LIMITED

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Vision

Dynamic, Quality Conscious and Ever Progressive

Mission

- To be market leader in providing safe, economical, durable, comfortable and environment friendly means of transportation of international quality at competitive prices
- To achieve market leadership in automotive wheel-rims of all types and sizes
- Grow through innovation of new products and
- Give higher return to the stakeholders.

Corporate Strategy

Achieve optimal performance in production and sale; continuously add value added products at competitive prices by maintaining "quality" as core element; focus on customers' satisfaction regarding sale, spares and service; explore new markets and enhance customers base; ensure right usage of company's resources; create employment opportunities; protect the interest of stakeholders; and be a part of the country's development.



COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Saira Asad Hameed
Chairperson/Non-Executive Director

Mr. Mian Asad Hameed
Chief Executive

Mr. Saeed Iqbal Khan
Executive Director

Mr. Mian Muhammad Ali Hameed
Executive Director

Mr. Mian Zafar Hameed
Non-Executive Director

Mrs. Sana Suleyman
Non-Executive Director

Mr. Humza Amjad Wazir
Non-Executive Director

Mr. Ahsan Ejaz
Independent Director

Mr. Anwar Ali
Independent Director

COMPANY SECRETARY

Mr. Arshad Mahmood - FCA

CHIEF FINANCIAL OFFICER

Mr. Muhamad Atif Rao

REGISTERED OFFICE

88 - Ali Town, Thokar Niaz Baig,
Raiwind Road, Lahore.
www.sazgarautos.com

SHARE REGISTRAR

Corp Tec Associates (Pvt.) Limited
503-E, Johar Town, Lahore.
Ph# 042-35170336-37
Fax# 042-35170338

FACTORY

18-KM Raiwind Road, Lahore.

AUDIT COMMITTEE

Mr. Ahsan Ejaz
Chairman

Mr. Anwar Ali
Member

Mrs. Sana Suleyman
Member

Mr. Arshad Mahmood
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Anwar Ali
Chairman

Mr. Saeed Iqbal Khan
Member

Mr. Humza Amjad Wazir
Member

Mr. Arshad Mahmood
Secretary

AUDITORS

H.Y.K & Co.
Chartered Accountants

BANKERS

Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited - Ameen
Bank Al - Habib Limited
MCB Islamic Bank Limited
Bank Islami Pakistan Limited



ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2019 کو مکمل ہونے والی دوسری سہ ماہی اور ششماہی کے لئے کمپنی کے معاملات پر بخوشی اپنا جائزہ پیش کرتے ہیں۔

مالیاتی نتائج:

اس جائزہ عرصہ کے دوران، موجودہ معاشی حالات سے نکلنے کے لئے کمپنی نے تھری ویلر "کارگولڈر" کا ایک نیا ماڈل تین مختلف خصوصیات کے ساتھ متعارف کرایا ہے۔ اس مارکیٹ حصہ میں سخت مقابلے کے باوجود، کمپنی کو اس کی عمدہ ڈیزائننگ، پائیداری اور معیار کی وجہ سے مارکیٹ سے مثبت جواب ملا ہے۔ ان مصنوعات کی فروخت کی مقدار بتدریج بڑھ رہی ہے۔

دوسری سہ ماہی کے دوران، کمپنی کی مجموعی فروخت 2.24 فی صد اضافہ کے ساتھ پچھلے مالیاتی سال کی دوسری سہ ماہی کے مقابلہ میں 553.34 ملین روپے سے بڑھ کر 565.76 ملین روپے ہو گئی ہے، مجموعی منافع 22.70 فی صد اضافہ کے ساتھ 54.15 ملین روپے سے بڑھ کر 66.44 ملین روپے ہو گیا ہے، قبل از ٹیکس منافع 13.35 فی صد اضافہ کے ساتھ 5.23 ملین روپے سے بڑھ کر 5.93 ملین روپے ہو گیا ہے۔

اس سال کی ششماہی کے دوران مجموعی فروخت 15.35 فی صد کی کے ساتھ پچھلے مالیاتی سال کی ششماہی کے مقابلہ میں 1,391.53 ملین روپے سے کم ہو کر 1,178.00 ملین روپے ہو گئی ہے، مجموعی منافع 5.53 فی صد کی سے 144.12 ملین روپے سے کم ہو کر 136.15 ملین روپے ہو گیا ہے، قبل از ٹیکس منافع 63.64 فی صد کی سے 45.63 ملین روپے سے کم ہو کر 16.59 ملین روپے ہو گیا ہے اور آمدنی فی حصص 1.52 روپے سے کم ہو کر 0.62 روپے ہو گئی ہے۔ قبل از ٹیکس منافع میں کمی طویل اور قلیل مدتی بینکاری سہولیات پر مالیاتی لاگت کی وجہ سے ہے۔

کمپنی نے پچھلے سال کی دوسری سہ ماہی اور ششماہی میں بالترتیب 3,767 عدد اور 8,225 عدد تھری ویلر کی پیداوار کے مقابلہ میں اس سال دوسری سہ ماہی اور ششماہی میں بالترتیب 3,565 عدد اور 6,044 عدد تھری ویلر بنائے۔

کمپنی نے پچھلے سال کی دوسری سہ ماہی اور ششماہی میں بالترتیب 16,069 عدد اور 33,278 عدد ویلر مرکزی پیداوار کے مقابلہ میں اس سال دوسری سہ ماہی اور ششماہی میں بالترتیب 14,618 عدد اور 37,298 عدد ویلر مرکزی پیداوار کی۔ دوسری سہ ماہی کے دوران، ٹریکٹرز کی بیگ میں کافی کمی آئی جس نے میٹریکٹرز بنانے والی کمپنی کو ایک ماہ سے زیادہ مدت کے لئے بند ہونے پر مجبور کیا۔

فورویلر منصوبے پر ترقیاتی کام:

فورویلر منصوبے کے قیام کی متوقع تاریخ پتھیل حاصل کرنے کے لئے تیزی سے کام جاری ہے۔ کمپنی نے چھوٹے پیمانے پر برائڈ بیداری مہم بھی شروع کر دی ہے جسے وقت گزرنے کے ساتھ کارگر اور موٹر انداز میں بڑھایا جائے گا۔

رائٹ ایٹو کا اعلان:

کمپنی کے بورڈ آف ڈائریکٹرز نے 07 فروری 2020 کو اپنے منعقدہ اجلاس میں 710.00 ملین روپے کا فنڈ جمع کرنے کے لئے 65.8418140217 حصص ہر 100 حصص کے عوض یعنی 65.8418140217 فی صد، 10/- روپے فی برابری حصص اور 40/- روپے فی پیم حصص (یعنی 50/- روپے فی حصص) جاری کرنے کا فیصلہ کیا



ہے۔ ان فنڈز کو پلانٹ اینڈ مشینری کی خریداری، قرض کے کچھ حصے کی ادائیگی اور جزوی طور پر ورکنگ کپٹل کی مالی اعانت کے ذریعے منصوبے کو بروقت مکمل کرنے کے لئے استعمال کیا جائے گا۔

الیکٹریک تھری ویلر کی نمائش:

کمپنی نے الیکٹریک کٹ کے سوا مقامی طور پر ای وی تھری ویلر کامیابی کے ساتھ تیار کیا ہے۔ اسکی نمائش کا پروگرام جنوری 2020ء میں منعقد ہوا جس میں اعلیٰ سرکاری عہدیداروں، کاروباری اور سماجی برادری نے شرکت کی اور اس کی تعریف کی۔ حکومت پاکستان کی جانب سے ای وی پالیسی کی منظوری کے بعد اس کی تجارتی پیداوار کرنے کا انحصار اس کی مارکیٹ فیہیلٹی پر ہوگا۔

مستقبل پر نقطہ نظر:

اللہ تعالیٰ کے فضل و کرم سے، پچھلے ادوار کے مقابلہ میں تھری ویلر کی طلب میں بہتری آنا شروع ہو گئی ہے۔ مزید یہ کہ میٹریٹریٹر بنانے والی کمپنی بھی اپنی پیداوار دوبارہ شروع کر چکی ہے۔ امریکی ڈالر - پاکستانی روپے کے تبادلہ کی شرح میں استحکام نے کاروباری برادری کا اعتماد کئی حد تک بحال کر دیا ہے تاہم افراط زر کی شرح اور قرضہ پر زیادہ لاگت اب بھی کاروبار کے لئے ایک بڑا چیلنج ہے۔

انشاء اللہ کمپنی آئندہ مدت میں معاشی حالات میں استحکام کی توقع کرتی ہے جو فروخت کے حجم اور منافع میں اضافہ کرنے میں معاون ثابت ہوگا۔


ڈائریکٹر کمپنی کے ملازمین کی انتھک کوششوں، ٹیم ورک اور لگن جس کا اظہار انہوں نے موجودہ عرصہ کے دوران کیا ہے، کے شکر گزار ہیں۔ وہ اپنے معزز حصص داران کاروباری شرکت دار اور مالی اداروں کے کمپنی کے ساتھ مسلسل تعاون کرنے پر بھی شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

لاہور

مورخہ 07 فروری 2020


سعید اقبال خان
ڈائریکٹر


میاں اسد حمید
چیف ایگزیکٹو



DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2019.

Financial Results:

During the period under review, the company introduced a new model of three wheeler – “Cargo Loader” with three variants in order to cope with the prevailing economic conditions. Despite of the tough competition in this segment, the company has received a positive response from the market because of its excellent designing, durability and quality. The sales volumes of these products are increasing gradually.

During the 2nd quarter, the sales has increased by 2.24% from Rs. 553.34M to Rs. 565.76M, gross profit by 22.70% from Rs. 54.15M to Rs. 66.44M and pre-tax profit by 13.35% from Rs. 5.23M to Rs. 5.93M compared with corresponding period of last year.

The half year sales has decreased by 15.35% from Rs.1,391.53M to Rs.1,178.00 M, gross profit by 5.53% from Rs. 144.12 M to Rs.136.15M, and pre-tax profit by 63.64% from Rs. 45.63M to Rs. 16.59M and earning per share from Rs 1.52 to Rs. 0.62 as compared with the corresponding period of last year. The reduction in pre-tax profit is due to finance cost on long & short term banking facilities.

During the 2nd quarter and half year, the Company produced 3,565 & 6,044 units of Three Wheeler whereas during the corresponding periods of last year, the production was 3,767 and 8,225 units respectively.

The production of wheel rims was 14,618 & 37,298 in 2nd quarter and half year whereas the production of wheel rims during the same corresponding periods was 16,069 and 33,278 respectively. During the 2nd quarter, the booking of tractors dropped substantially forcing the announcement of shut down by Massey Tractor assembler for a period of more than one month.

Progress on Four Wheeler Project:

The work on setting up of four wheeler project is continuing at a fast pace to achieve the estimated date of its completion. The company has also started brand awareness campaign on a small scale which will be increased in an effective and efficient manner with the passage of time.

Declaration of Right Issue:

The Board of Directors of the Company in their meeting held on February 07, 2020 has decided to issue 65.8418140217 Right Shares for every 100 ordinary shares held i.e. 65.8418140217% at par value of Rs. 10/- per share and Rs. 40/- as premium (i.e. Rs. 50/- per share) to raise funds of Rs. 710.00 million. These funds will be utilized to complete the project in time by procurement of plant & machinery, repayment of some portion of loan and to finance the working capital partially.

Showcasing of Electric Three Wheeler:

The Company has successfully developed an EV Three Wheeler indigenously except for the electric kit. Its showcasing event was held in January 2020 which was attended and appreciated by higher Government officials, business and social community. The commercial production will be started after the approval of EV Policy by Government of Pakistan depending upon its market feasibility.



SAZGAR ENGINEERING WORKS LIMITED

Future Outlook:

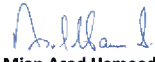
By the Grace of Almighty Allah, the demand of three wheeler has started to improve compared with the previous periods. Moreover, the Massey Tractor assembler has also resumed its production. The stability in USD –Pak Rupee exchange rate has restored the confidence of business community to some extent, however, higher rates of inflation and borrowing are still big challenges for the businesses.

The Company expects stability in economic conditions in the future period which will contribute in increasing the sales volume and profitability, Insha Allah.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust on the Company.

For and on behalf of the Board

Lahore
Dated: 07-02-2020


Mian Asad Hameed
(Chief Executive)


Saeed Iqbal Khan
(Director)



SAZGAR ENGINEERING WORKS LIMITED



INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF SAZGAR ENGINEERING WORKS LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Sazgar Engineering Works Limited** as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Muhammad Yousaf.

H.Y.K. & Co.

H.Y.K. & Co.
Chartered Accountants
Lahore: February 07, 2020

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SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UN-AUDITED AS AT DECEMBER 31, 2019

	Note	Un-audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	4.1	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	4.2	215,668,420	215,668,420
Revenue reserve - Un-appropriated Profit		842,357,211	829,038,827
		1,058,025,631	1,044,707,247
LIABILITIES			
NON CURRENT LIABILITIES			
Long term financing		218,766,266	201,669,995
Deferred Liabilities		177,783,424	168,967,159
CURRENT LIABILITIES			
Trade and other payables		857,670,331	515,981,079
Unclaimed dividend		1,444,923	1,496,234
Profit accrued on loans and other payables		31,888,490	15,695,208
Short term borrowings		147,492,488	-
Current portion of long term liabilities		51,420,278	22,401,560
		1,089,916,510	555,574,081
CONTINGENCIES AND COMMITMENTS	5	-	-
TOTAL EQUITY AND LIABILITIES		2,544,491,831	1,970,918,482
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	6	1,087,633,578	998,079,388
Intangible Assets	7	92,302	108,560
Long term Loan and Advances		26,393,784	24,895,253
Long Term Deposits		3,479,855	3,319,855
Deferred taxation		5,359,961	-
CURRENT ASSETS			
Stores, spares and loose tools		3,587,375	2,992,529
Stock-in-trade		889,573,740	645,847,730
Trade debts		91,871,337	115,605,575
Loans & advances		23,003,410	16,220,005
Trade deposits and short term prepayments		128,736,568	48,610,555
Other receivables		172,560,041	109,271,671
Cash and bank balances		112,199,880	5,967,361
		1,421,532,351	944,515,426
TOTAL ASSETS		2,544,491,831	1,970,918,482

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	Note	Second Quarter Ended		Half Year Ended	
		Oct - Dec 2019	Oct - Dec 2018	July - Dec 2019	July - Dec 2018
		Rupees	Rupees	Rupees	Rupees
Sales - Net	8	565,755,613	553,337,895	1,178,000,466	1,391,531,518
Cost of sales	9	499,317,219	499,191,742	1,041,850,369	1,247,411,733
Gross Profit		66,438,394	54,146,153	136,150,097	144,119,785
Distribution cost		18,967,477	18,270,639	39,317,399	40,361,282
Administrative expenses		26,912,601	24,581,822	51,425,380	48,086,335
Other operating expenses		1,610,801	1,423,087	2,400,985	4,492,827
		47,490,879	44,275,548	93,143,764	92,940,444
		18,947,515	9,870,605	43,006,333	51,179,341
Other income		4,220,286	1,158,692	5,630,321	2,358,162
Operating profit before finance cost		23,167,801	11,029,297	48,636,654	53,537,503
Finance cost		17,237,627	5,797,423	32,045,143	7,906,909
Profit before taxation		5,930,174	5,231,874	16,591,511	45,630,594
Taxation	10	826,618	1,902,893	3,273,127	12,934,300
Profit after taxation		5,103,556	3,328,981	13,318,384	32,696,294
Earnings per share - Basic and diluted	11	0.24	0.15	0.62	1.52

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF THE OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	Second Quarter Ended		Half Year Ended	
	Oct - Dec 2019	Oct - Dec 2018	July - Dec 2019	July - Dec 2018
	Rupees	Rupees	Rupees	Rupees
PROFIT AFTER TAXATION FOR THE PERIOD	5,103,556	3,328,981	13,318,384	32,696,294
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,103,556	3,328,981	13,318,384	32,696,294

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at June 30, 2018 - Audited	215,668,420	741,695,967	957,364,387
Comprehensive Income for the period			
Profit after taxation	-	32,696,294	32,696,294
Other Comprehensive Income / (Loss)	-	-	-
Total comprehensive income for the period ended December 31, 2018	-	32,696,294	32,696,294
Balance as at December 31, 2018 - Un-audited	215,668,420	774,392,261	990,060,681
Balance as at June 30, 2019 - Audited	215,668,420	829,038,827	1,044,707,247
Comprehensive Income for the period			
Profit after taxation	-	13,318,384	13,318,384
Other Comprehensive Income / (Loss)	-	-	-
Total comprehensive income for the period ended December 31, 2019	-	13,318,384	13,318,384
Balance as at December 31, 2019 - Un-audited	215,668,420	842,357,211	1,058,025,631

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half Year Ended	
	July - Dec 2019	July - Dec 2018
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,591,511	45,630,594
Adjustment for non cash charges and other items:		
Depreciation	9,555,332	9,345,246
Amortization	16,258	32,815
Provision for staff retirement gratuity	20,163,156	14,329,184
Finance cost	32,045,143	7,906,909
Other income	(5,630,321)	(2,358,162)
	56,149,568	29,255,992
	72,741,079	74,886,586
Working capital changes		
(Increase)/Decrease in current assets		
Store, spares and loose tools	(594,846)	987,758
Stock-in-trade	(243,726,011)	(428,931,573)
Trade debts	23,734,238	22,079,415
Loans & Advances	(6,783,405)	(4,260,516)
Trade Deposits and short term prepayments	(80,126,013)	107,596,604
Other receivables	(650,000)	-
(Decrease) / Increase in current liabilities		
Trade and other payables	297,719,335	275,234,872
Increase in Long term loans and advances	(1,498,531)	(3,486,865)
	(11,925,233)	(30,780,305)
Cash generated from operations	60,815,846	44,106,281
Finance cost paid	(15,851,861)	(5,812,124)
Income tax paid/deducted at source	(34,296,900)	(43,686,070)
Employees retirement benefit - gratuity paid	(2,213,216)	(1,302,132)
Workers' Profit Participation Fund Paid	-	(17,894,338)
Net cash generated from / (used in) operating activities	8,453,869	(24,588,383)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(100,392,159)	(176,437,997)
Increase in long term deposits	(160,000)	(90,000)
Proceeds from sale of property, plant and equipment	2,780,000	1,450,000
Net cash used in investing activities	(97,772,159)	(175,077,997)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of long term borrowings	46,114,989	138,419,118
Proceeds of short term borrowings	1,380,130,322	847,205,263
Repayment of short term borrowings	(1,232,637,833)	(818,633,836)
Profit received on saving account	1,994,641	-
Dividend paid	(51,310)	(80,297)
Net cash generated from financing activities	195,550,809	166,910,248
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	106,232,519	(32,756,132)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,967,361	35,324,803
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	112,199,880	2,568,671

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED

CHIEF EXECUTIVE


SAEED IQBAL KHAN

DIRECTOR


MUHAMMAD ATIF RAO

CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND OPERATIONS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company and converted into a Public Limited Company on November 21, 1994. The Company is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. The three wheeler, wheel rim and household electric appliances manufacturing facility is located at 18 K.m Raiwind Road, Lahore and four wheeler manufacturing facility, which is under construction, is situated at Western Tank Link Road, Near Ijtimah Chowk, Sundar Road, Raiwind, Lahore.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of; International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 (the "Act"). Where the provisions of and directives issued under the Companies Act, 2017 (the "Act") differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 (the "Act") have been followed.

2.2 These condensed interim financial statements (un-audited) are being submitted to the shareholders as required by section 237 of The Companies Act, 2017 (the "Act").

2.3 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 June 30, 2019.

2.4 The figures included in the condensed interim statement of profit or loss for the quarters ended December 31, 2019 and 2018 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2019 and 2018.

2.5 FINANCIAL RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND ACCOUNTING ESTIMATES AND JUDGMENTS

2.5.1 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2019.

2.5.2 Fair Value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair value.

2.5.3 Accounting Estimates and judgments

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended June 30, 2019.

2.6 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34- 'Interim Financial Reporting', the condensed statement of interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2019.

3.2 Certain standards, amendments and interpretations of approved accounting standards will be effective for accounting periods but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

Un-audited December 31, 2019 Number	Audited June 30, 2019 Number	NOTE	Un-audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each	500,000,000	500,000,000

4.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

7,163,000	7,163,000	ordinary shares of Rupees 10/- each fully paid up in cash.	71,630,000	71,630,000
14,403,842	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	144,038,420	144,038,420
21,566,842	21,566,842		215,668,420	215,668,420

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in contingencies from the preceding annual published financial statement of the Company for the year ended June 30, 2019. Except the following:

- 5.1.1 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 33,952,716/- as on March 30, 2019. The Company filed an appeal against this order with CIR (A) and CIR (A) deleted the order of DCIR as on June 25, 2019. However DCIR filed an appeal with ATIR against the order of CIR (A) as on August 27, 2019, proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

- 5.1.2 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2014 and created a tax demand of Rs. 8,468,165/- as on December 06, 2019. The Company filed an appeal before the Commissioner Inland Revenue Appeal CIR(A) against this order of DCIR and has been granted a stay order, proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

5.2 Commitments

- 5.2.1 Commitments in respect of outstanding letters of credit for raw material other than capital expenditure amount to Rs. 137.60 Million (June 30, 2019: Rs. 134.26 Million).

- 5.2.2 Commitments in respect of capital expenditures including letters of credit amount to Rs. 132.81 Million (June 30, 2019: Rs. 146.52 Million).

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	343,045,761	348,588,354
Capital work in progress	6.2	744,587,817	649,491,034
		1,087,633,578	998,079,388
6.1 OPERATING FIXED ASSETS - Tangible			
Opening book value		348,588,354	346,844,374
Add:			
Additions during the period (at cost)			
- Plant and machinery		1,786,000	2,675,527
- Furniture and Fittings		-	684,830
- Office equipments		326,376	1,005,580
- Electric installations		-	1,931,500
- Vehicles		3,183,000	16,336,000
		5,295,376	22,633,437



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		Un-audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
Less:			
Disposal during the period (at net book value)			
- Vehicles		1,282,637	973,126
Depreciation charged during the period		9,555,332	19,916,331
		10,837,969	20,889,457
Closing book value		343,045,761	348,588,354
6.2 CAPITAL WORK IN PROGRESS			
Opening Balance		649,491,034	361,959,281
Additions during the period			
- Plant and machinery		84,870,188	240,961,454
- Building and Civil Works on freehold land		10,226,595	46,719,382
		95,096,783	287,680,836
Less Transferred to fixed assets during the period			
- Intangible		-	149,083
Closing Balance		744,587,817	649,491,034
7 INTANGIBLE ASSETS			
Opening book value		108,560	10,575
Add: additions during the period		-	149,083
		108,560	159,658
Less: amortization charged during the period		16,258	51,098
Closing book value		92,302	108,560
		Un-audited Oct - Dec 2019 Rupees	Un-audited Oct - Dec 2018 Rupees
8 SALES - NET			
Gross sales	8.1	697,320,748	805,597,651
Less: Sales tax		96,983,791	95,140,492
Sales returns		19,893,673	143,762,068
Commission		14,687,671	13,357,196
		131,565,135	252,259,756
		565,755,613	553,337,895
8.1 This includes Rs. 18.52 million (December 31, 2018: Rs. 2.36 million) on account of export sales for the period.		1,439,344,425	1,840,855,614
		202,915,257	243,180,236
		36,747,317	177,645,852
		21,681,385	28,498,008
		261,343,959	449,324,096
		1,178,000,466	1,391,531,518
9 COST OF SALES			
Raw materials and components consumed		580,371,040	558,791,695
Salaries, wages and other benefits		81,846,942	66,557,061
Stores, spares and loose tools consumed		10,019,628	7,301,376
Power and fuel charges		19,070,349	13,919,377
Repair and maintenance		13,701,838	11,405,656
Provision for slow moving items		-	255,150
Other expenses		2,764,689	2,540,525
Depreciation & Amortization		2,740,961	3,006,138
		710,515,447	663,521,828
Opening work-in-process		11,394,730	18,587,223
Closing work-in-process		(24,087,619)	(23,099,874)
Cost of goods manufactured		697,822,558	659,009,177
Opening finished goods		209,012,427	160,153,502
Cost of finished goods purchased		-	21,959,566
Closing finished goods		(407,517,765)	(341,930,503)
		499,317,219	499,191,742
10 TAXATION			
Current			
For the period		8,579,417	2,222,464
Prior period		(199,520)	49,579
Deferred			
For the period		(7,553,279)	(369,150)
		826,618	1,902,893
		17,966,284	14,235,868
		(199,520)	49,579
		(14,493,637)	(1,351,147)
		3,273,127	12,934,300



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		Un-audited Oct - Dec 2019 Rupees	Un-audited Oct - Dec 2018 Rupees	Un-audited July - Dec 2019 Rupees	Un-audited July - Dec 2018 Rupees
11	EARNINGS PER SHARE - BASIC AND DILUTED				
	Basic Earnings Per Share				
	Profit after taxation for the period	Rupees 5,103,556	3,328,981	13,318,384	32,696,294
	Weighted average number of ordinary shares				
	Number	21,566,842	21,566,842	21,566,842	21,566,842
	outstanding during the period - Note 4.2				
	Basic earnings per share	Rupees 0.24	0.15	0.62	1.52

11.1 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2018 and December 31, 2019 which would have any effect on earning per share if the option to convert is exercised.

12 TRANSACTIONS WITH RELATED PARTIES

Non-Executive Director (s)			
Meeting fee		465,000	425,000
Key Management Personnel			
Remuneration, Allowances and benefits		25,849,800	27,268,800*
Other Related Party			
Rent Expenses		132,500	-
Remuneration, Allowances and benefits		750,000	-
PERIOD END BALANCES			
Payable to Other Related Party - Rent Payable		132,500	-

* The comparative figure has been restated in accordance with the definition of key management personnel as per The Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.

13 SEGMENT RESULTS

Segment Revenue - Net				
Home appliances	728,444	2,723,353	3,687,232	4,777,054
Auto parts	101,713,387	89,396,761	245,515,537	211,710,371
Auto rickshaw	463,313,782	453,820,345	928,797,697	1,167,646,657
Automobiles - Four Wheeler	-	7,397,436	-	7,397,436
Total	565,755,613	553,337,895	1,178,000,466	1,391,531,518
Segment operating results				
Home appliances	42,408	856,994	423,952	1,059,360
Auto parts	151,992	(7,358,891)	2,922,048	(5,385,065)
Auto rickshaw	31,734,315	23,411,820	62,825,345	68,145,885
Automobiles - Four Wheeler	(11,541,899)	(6,706,481)	(20,935,527)	(9,238,262)
Total	20,386,816	10,203,442	45,235,818	54,581,918

14 SUBSEQUENT EVENTS

The Board of Directors, at their meeting held on February 07, 2020 has approved and announced issuance of 65.8418140217% right shares, i.e. 65.8418140217 ordinary shares for every 100 existing ordinary shares at a price of Rs.50/- inclusive of premium of Rs.40/-. The Company intends to raise sum of Rs. 710 million, which will be utilized to complete the project in time by procurement of plant & machinery, repayment of some portion of loan and to finance the working capital partially.

15 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 07, 2020.

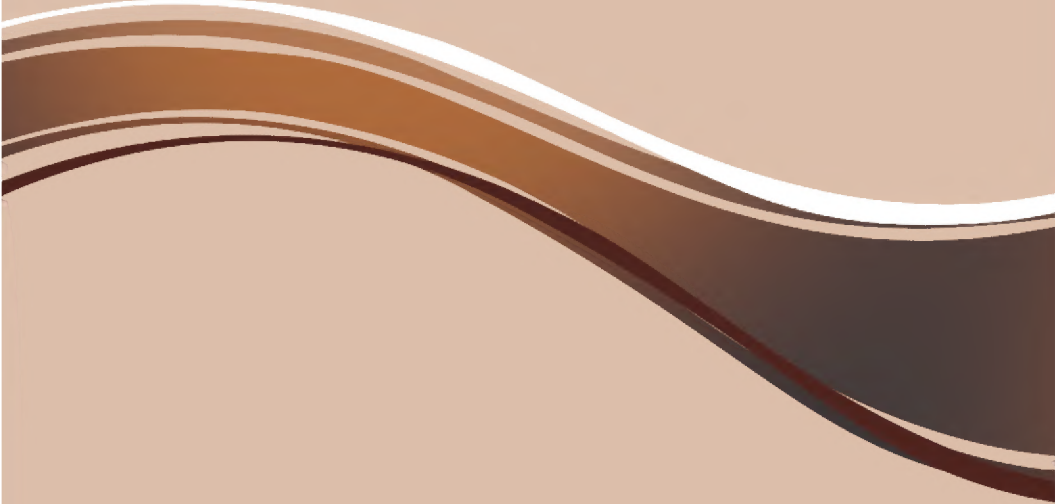
16 GENERAL

16.1 The figures have been rounded off to the nearest Rupee.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



Sazgar Engineering Works Limited

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