

2020 Annual Report



Huffaz

Seamless Pipe Industries Limited

Committed to Excellence



Table of Contents

Corporate Directory.....	2
Vision / Mission	3
Financial Summary	4
Company's Overview	
o Company's Profile	5-7
o Environment, Health & Safety	8
o Research & Development	9
o Code of Conduct	9
o International Certifications.....	10
Business Ethics and Practices	11-12
Notice of Annual General Meeting	13
Directors' Report (English)	14-18
Directors' Report (Urdu)	19-26
Decade at a Glance	27
Diagrammatical Performance Review.....	28-31
Statement of Compliance with the Code of Corporate Governance	32-33
Review Report to the Members on the Statement of Compliance with Best Practices of Code of Corporate Governance.....	34
Auditors' Report to the Members	35-38
Statement of Financial Position as at June 30, 2020	39
Statement of Profit and Loss for the year Ended June 30, 2020	40
Statement of Comprehensive Income for the year Ended June 30, 2020	41
Cash Flow Statement for the year ended June 30, 2020	42
Statement of Changes in Equity for the year ended June 30, 2020.....	43
Notes to the Financial Statements for the year ended June 30, 20120	44-80
Pattern of Holding of Shares by the Shareholders as at June 30, 2020	81
Categories of Shareholders as at June 30, 2020	82
Form of Proxy.....	85





Corporate Directory

Chairman:

Mr. Muhammad Hafiz (UK)

Chief Executive:

Hafiz Abdul Majid

Executive Director:

Hafiz Abdul Haseeb

Board of Directors:

Mr. Talal Yousuf Mohamed Y. Najibi (UAE)
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)
Mr. Fahad Abdul Aziz Eshaq (UAE)
Mr. Muhammad Hafiz (UK)
Mr. Arshad Ahmed (UK)
Hafiz Abdul Waheed
Hafiz Abdul Sami
Hafiz Abdul Aleem
Hafiz Abdul Majid
Hafiz Abdul Haseeb
Mr. Nasir Mahmood (Ind-Director)
Mr. Asghar Imam Khalid (Ind-Director)
Mrs. Javeria Sami (Female Director)

Company Secretary:

Mr. Masood Anwar

Chief Financial Officer:

Mr. Muhammad Anwar Khan

Audit Committee:

Mr. Nasir Mahmood	Chairman / Member
Mr. Arshad Ahmed (UK)	Member
Hafiz Abdul Sami	Member
Mr. Muhammad Hafiz (UK)	Member
Mr. Asghar Imam Khalid	Member

Human Resource & Remuneration Committee:

Mr. Muhammad Hafiz	Chairman / Member
Mr. Arshad Ahmed	Member
Hafiz Abdul Aleem	Member
Hafiz Abdul Majid	Member
Hafiz Abdul Haseeb	Member

Auditors:

M/s. H.A.M.D & Co., Chartered Accountants

Legal Advisor:

Nawaz Hussain Sikander
2nd Floor, ACM Tower, Kahliq-uz-Zaman Road, Karachi.

Registrar:

THK Associates (Pvt.) Limited,
First Floor 40-C Block-6, PECHS,
Karachi.
P.O. Box No. 8533, UAN: 111-000-322
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

Bankers:

Allied Bank Ltd.	Habib Metropolitan Bank
Askari Bank Ltd.	Silk Bank Ltd.
Bank Alfiah Ltd.	Sindh Bank Limited
Faysal Bank Ltd.	Standard Chartered
Habib Bank Ltd.	Dubai Islamic Bank Limited
MCB Bank Ltd.	Soneri Bank Ltd.
Meezan Bank Ltd.	UBL Bank Limited
National Bank of Pakistan	

Registered Office:

207-210 Second Floor, Marshiq Centre,
Block 14, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34146241-3

Factory:

90 KM Super High Way, Nooriabad Industrial Estate,
District Jamshoro, Sindh.

Website:

www.huffaz.pk





Mission & Vision

Mission

To emerge as a leader among the responsible corporate citizens, benefiting all its stakeholders through innovation in its products and services.

Vision

To maintain its position as leader in providing seamless pipes and tubes and engineering goods and services in local market.

To explore export market and get benefit of competitive advantage of its internationally recognized products.

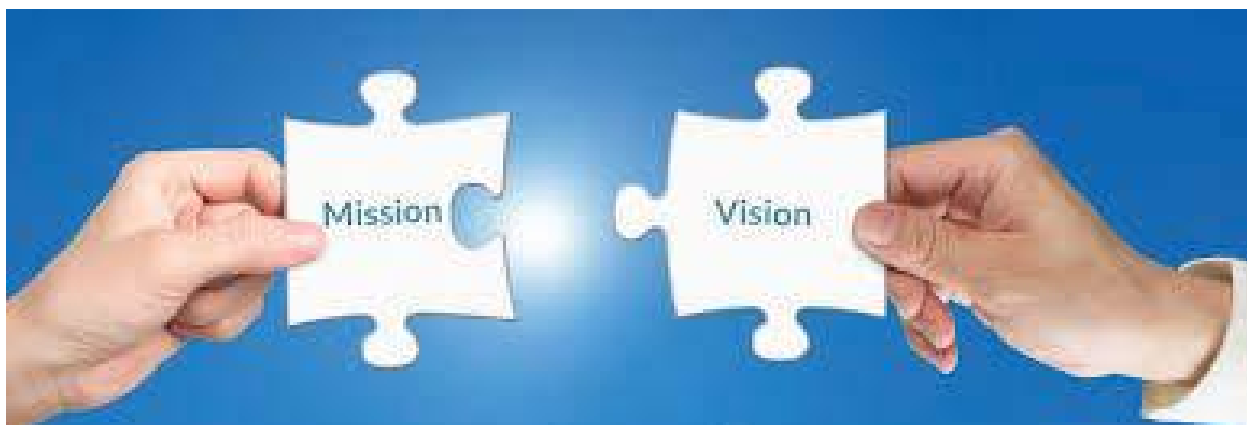
To introduce and adopt best practices within the company to achieve its objectives.

To maintain high standard and quality of its products while bringing cost effectiveness.

To provide adequate return to its investors.

To maintain congenial relationship with all of its stakeholders particularly employees, customers and suppliers.

To establish and maintain safe, healthy and environment-friendly systems.





Financial Summary

	2020 Rs in ' 000	2019 Rs in ' 000
Gross Sales	368,540	585,698
Net Sales	341,615	501,103
Profit / (Loss) before tax	(9,475)	32,908
Taxation	3,381	30,703
Profit after tax	(6,094)	2,205
Shareholders' Equity	5,582,556	5,054,439
Total Assets	7,652,832	7,075,109
Profit per share	(0.11)	0.04
Number of Employees (Numbers)	102	148
Production volume (M.tones)		
Seamless Tubular Products	747	2,744
Machinery and its components	—	—
Coating of Seamless Tubular Products	4,829	4,076





Company's Profile



Huffaz Seamless Pipe Industries (HSPI) manufacture seamless steel carbon and low alloy steel pipes/tubes from high quality, aluminum-killed vacuum degassed billets/round bars. This project is jointly sponsored by a reputed Middle Eastern group and local sponsor directors on equity basis. Innovation in products, processes and systems, have helped HSPI in establishing a leading name in the manufacturing of seamless Steel Pipes/Tubes.

All the activities of the Company are based on rich experience, technical knowledge, competence, trust and quality. The foremost objective of HSPI is to supply products according to quality and lead-time desired by customers.

We have total quality focused approach which is reflected in our certifications i.e. API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED.

Beside fulfilling the entire demand of domestic market including major oil and gas organizations, we are exporting our products to USA, Australia, the Middle East, Iran and Bangladesh.

Product Range

Boiler Tubes
Heat Exchanger Tubes
High/Low Temperature Services Pipes/Tubes
Mechanical Tubes
Line Pipes
Structural Pipes/Tubes
Casing & Tubing
3 layer Polyethylene/Polypropylene & Fusion Bonded Epoxy Coating



Size Range

Outer Diameter	6 mm - 273 mm
Wall Thickness	0.75 mm - 25 mm
Length	1 - 19 Meter

Production Capacity per annum in M.Tons

- Seamless Tubular Products	100,000
- Machinery & Machinery components	3,500
- Coating of Seamless Tubular Products	50,000





Company's Profile

Production Standard:

ATM 53, ATSM A106, ASTM A210, ASTM, ASTM, A213 ASTM, ASTM A333, ASTM A334, ASTM A213, ASTM, ASTM A333, ASTM A334, ASTM 3335, ASTM, A519API 5L, API 5LmAPI 5CT DIN 2391, DIN 2440, DIN 2441, DIN 2448, DIN 17175 A/2448 LIS, G346m, JIS G3444 BS1387, BS 3059/1, BS, 3059/2, BS 1775, BS6323, NFA49-112, NFA49, NFA 49-211 UNI 8863.

Any other standard as per requirement of the customers.

Delivery Conditions:

Plain end (squares cut or bevelled), Threaded and Coupled.

Test Performed:

Destructive Test: Tensile, Flatening, Flaring, Bending
N.D.T: Hydrostatic Test, Eddy Current Test, Chemical Analysis.

Other as required by the standard or customer.



Mill Test Certificate:

Pipes/tubes are delivered with certificates as per required standard.

Marking:

On Pipes surface (Die Stamp or Paint Stencil)

On bundles (Metal Label or Plastic Labels)

Surface Protection:

Outside protective coating (Paint, Oil Varnish) Hot Dip Galvanizing

Other coating as per requirements of the customer.

Packaging:

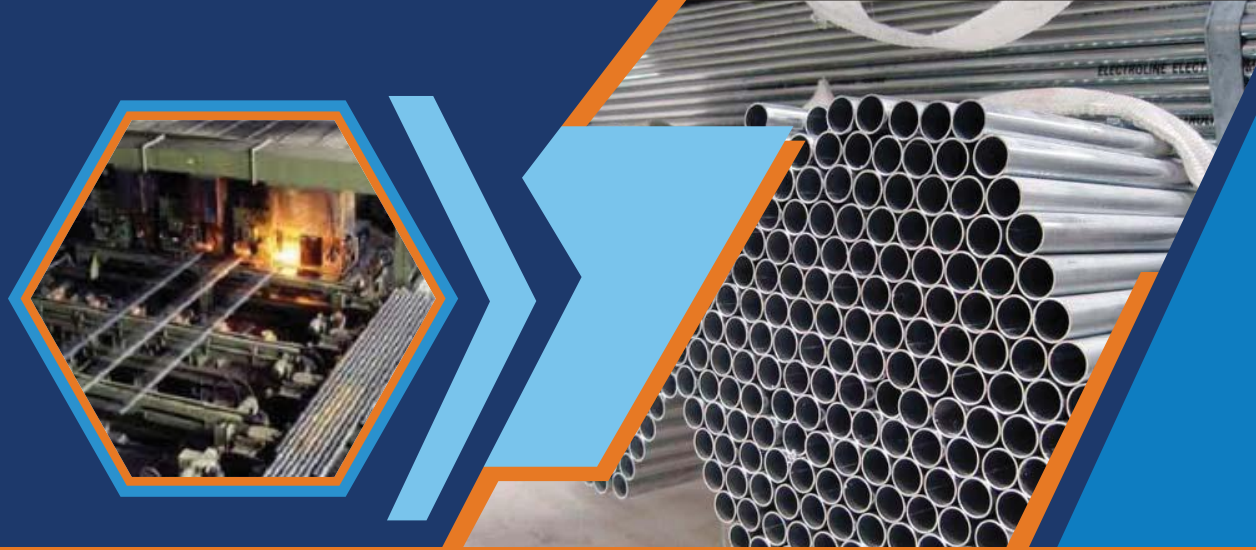
In bundles, special packing upon request.

Quality Assurance:

At **HSPI** we believe in strict Quality Control at every stage from sourcing of our raw material to our finished products. Our commitment to Quality, Health, Safety and Environment is reflected in our compliance with International Quality Standards.

HSPI aims to provide customers, the products which give full satisfaction.





Company's Profile

Huffaz Engineering Works

Huffaz Engineering Works (HEW) has long been a key component in diverse expansion activities of HSPI. Due to its versatile manufacturing capabilities the works has managed to emerge as one of the key engineering product and service suppliers in the country. Equipped with facilities such as:

Machine Shop	Fabrication
Forging	Hard Chrome
Foundry	(Ferrous Treatment & Non-Ferrous)

We have managed to infiltrate key areas of engineering products market.

Following the foot steps of pioneer companies, HEW has maintained its resolve the deliver products and services at the right cost, time and quality. We believe the continuous and relentless efforts to ensure complete satisfaction of all our customers and other stakeholders.



Product & Services:

Pipe Flanges and Fittings for Pipe Lines, Boilers & Heat Exchanges.

Chain Spocket, Gear and Worm Wheels.

Hi-tech Precision Mechanical Components.

Dies & Moulds.

Tube Bending & Intricate Fabrication.

Machinery Components for Various Application

Product Design & Development



HEW is equipped with most modern testing facilities including Spectrometers, Tensile Testing Machine various kinds of Hardness testers, Metallographic equipment and Non-Destructive Testing.

We test and certify carbon, alloy stainless steel rolled cast forged products for various industries across the country while providing invaluable service to our internal customer.





Environment, Health & Safety

Huffaz Seamless Pipe Industries Ltd. (HSPI) is committed to the preservation of the environment, safety and health of its personnel, customers, suppliers, the communities and all stakeholders with which it interacts.

In our process, products and services we adopt designs and technologies that are the most appropriate and eco-efficient available at a reasonable cost in order to preserve health and minimize the risk of accidents and environmental impacts.

We continuously review our operations to maximize the efficiency in the use of energy and material resources, the recycling of products-both at our own facilities and those of third parties and the minimization of waste, emissions and effluents.

Environment:

Huffaz Seamless Pipe Industries Ltd's (HSPI) environmental policy is based upon the principle of sustainable development.

Following the introduction of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system is a set of processes and practices that help HSPI in constantly improving its environmental performance. This management system follows the guidelines of international standards such as ISO 14000, applying eco-efficiency and integral safety concepts throughout the system, from product design and industrial investment up to operations and logistics.

HSPI adheres to worldwide sustainability principles and guidelines developed for the seamless pipe industry such as:

Investment in New Process and Products: Innovation is crucial for longer term industrial projects, therefore HSPI has established a plan to revamp all its mills and improve its processes and products.

Material Efficiency and Energy Intensity: HSPI continually reviews its operations to minimize the efficiency of energy resources, the re-se of bi-products and the appropriate

treatment and disposal of waste, emissions and effluents.

Waste Recycling: Waste can be recycled, but more importantly its properties can be saved and re-used.

Employee Training: HSPI continuously offers training to all employees. Education is a fundamental tool for achieving improvements in sustainability in the long term.

Health and Safety:

Huffaz Seamless Pipe Industries Ltd's (HSPI) believes all accidents can and must be prevented. We focus on education to stimulates better attitudes and behaviours; and on the use of state-of-the-art



technology to create a safe working environment. Our processes are continuously analyzed to find the best practices to reduce risks in our operations.

As part of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system includes a set of processes and procedures that help HSPI to constantly improve its Safety and Health programs, and is an essential element for securing the motivation and well being of its employees.





Research & Development



Research & Development

Research & Development is an essential part of our activities as we provide our customers with products and services that not only meet the challenges of usage under extreme pressure and temperatures and highly corrosive environments, but also serve high performance mechanical and structural applications.

Our Research & Development team develops in-house scientific advances in the field of metallurgy, alloy design,

corrosion resistant materials, computational mechanics, fracture mechanics, surface and coating chemistry, as well as technology for automotive components and mechanical pipe applications and full-scale testing of premium connection, line pipe and OCTG.

Code of Conduct

Huffaz Seamless Pipe Industries Limited (HSPI) has a Code of Conduct incorporating guidelines and standards on integrity and transparency applicable to all its employees and its directors.



This Code of Conduct establishes the ethical principles that form the basis for relations between the company, its employee and third parties and provides means and instruments to give transparency to issues and problems that may have a bearing on the management of the Company.

Complete Employee Code of Conduct is placed on the Company's official web-site as per the requirements of Code of Corporate Governance, 2012.





International Certifications



API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001: 2007, ISO 14001:2004 & PED certifications are proof of HSP's superior quality standards and commitment to quality. Due to our superior quality standards and customer satisfaction the company was awarded the "Industrial Affairs Award 95" and "Pakistan Economic Excellency Award 1996-97"





Business Ethics & Practices



Huffaz Seamless Industries Limited (HSPI) as a manufacturer of high quality seamless tubular products and special precision shafting, recognize the importance of codifying the ethical principles, which guide the Directors, Executives, Managers and other employees of the Company. HSPI Code of Ethics states the values to which we are committed and embodies the ethical responsibilities of the plant operations in this changing environment. HSPI team's humility, honesty, transparency and flexibility coupled with their attention to details and obsession with quality and growth will assure Company's ascendancy to the enviable rank of the large and most trusted seamless tubular products manufacturer in the region.



The principles of this code are expressed in broad statements to guide the ethical decision-making.

Our policy reflects by the following:

Honesty and Integrity

HSPI's policy is to conduct business with honesty and integrity and be ethical in all its designs, showing respect for the interest of those with whom it has relationship.

Law and Regulation

HSPI complies with all laws and regulations. All directors and employees are expected to familiarize themselves with laws and

regulations governing their individual areas of responsibility and not to transgress them. If in doubt employees and directors expected to seek advice. The Company believes in fair competition and supports appropriate competition laws.

Politics

HSPI does not support any political party nor contributes to the funds of groups whose activities promote party interests.

Quality Services

HSPI is committed to provide services, which consistently offer value in terms of price and quality and satisfy customer needs and expectations.

Social and Community Commitments

HSPI is committed to run its business in an environment that is sound and sustainable. As a good corporate organization, the Company recognizes its social responsibilities and will endeavor to contribute to community activities, for betterment of society as a whole.

Reliable and Transparent Financial Records

HSPI believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.

Human Resource Development

HSPI is an equal opportunity employer. Its employee recruitment and promotional policies are unbiased and based upon merit and excellence oriented. It recruits people who share HSPI's vision and values and develop them to reach their highest potential through continuous training, skills development and empowerment. It believes in providing its employees healthy conditions and in maintaining good channels of communications. The Company expects its employees to abide by the code of ethics, whereby Company information and assets are not used for any personal advantage or gain. Any conflict of interests should be avoided and if where it exists, it should be disclosed and guidance sought.





Business Ethics & Practices

Our Commitment is reflected by the following:

As Shareholders and Directors:

- ✦ Commit the necessary and appropriate resources.
- ✦ Foster a conducive environment through responsive policy.
- ✦ Maintain organization effectiveness for the achievement of the Company goals.
- ✦ Encourage and support compliance with legal and industry requirement.
- ✦ Support collective decision at board meetings and general body meetings.

As Executives and Managers:

- ✦ Ensure the profitability of operation while upholding social responsibilities; provide the direction and leadership for the organization.
- ✦ Ensure total customer satisfaction through excellent product and service.
- ✦ Protect the interest and assets of the Company
- ✦ Promote a culture of excellence, conservation and continual improvement.
- ✦ Cultivate work ethics and harmony among colleagues and associates
- ✦ Encourage initiative and self-realization in employees through meaningful empowerment.
- ✦ Ensure and equitable way of working and reward system.
- ✦ Institute commitment to environmental, health and safety performance.

As Employees and Staff:

- ✦ Devote productive time and effort.
- ✦ Observe Company policy and regulations.
- ✦ Promote and protect the interest of the Company.
- ✦ Exercise prudence in using Company resources.
- ✦ Observe cost-effective practice in daily activities
- ✦ Strive for excellence and quality as a way of life.




Notice of Annual General Meeting

Notice is hereby given to the Members that the 37th Annual General Meeting of Company will be held on Wednesday, June 30, 2021 at 03:30 p.m. at Junagargh Community Centre Opposite. Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2020 and the Reports of the Directors' and Auditors' thereon.
2. To appoint External Auditors for the year ending 30th June 2021 and fix their remuneration. The present auditors M/s H.A.M.D & Co., Chartered Accountants, retire and being eligible for re-appointment and have consented to act as auditor for the year ending 30th June 2021.
3. To consider any other business with the permission of the Chair.

Karachi
June 10, 2021

By order of the Board


(Masood Anwar)
Company Secretary

NOTE:

1. Consider the threat of Corona Virus (Covid- 9), all participants are requested to follow all SPOs released by Competent Authorities.
2. The share transfer books of the company will remain closed from 21 June, 2021 to 30th June, 2021 (both days inclusive).
3. A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the Company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting and must be signed and witnessed.
4. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant ID number and account/sub-account number along-with Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
5. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
6. Members are requested not to bring children along-with them, as children will not be allowed in the meeting.



Directors' Report to the Members

Dear shareholders,

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 37th Annual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June 2020.

Overview of Economy

The Government is struggling to set new dimensions for the country and providing the space to rationalize the formidable macroeconomic challenges. The foremost challenge to the economy is the rising aggregate demand without corresponding resources to support it, leading to rising fiscal and external account deficits. To address the issue of severe macroeconomic instability and to put the economy on the path of sustained growth and stability, the Government has introduced a comprehensive set of economic and structural reform measures, outcome of which would be materialized in times to come.

In order to deal with the emerging inflationary pressures mainly arising from a sharp increase in international oil prices, higher interests rates maintained by State Bank of Pakistan (SBP). The exchange currency rate is still very high, and expected to continue in future as well. The Government is also not able to curtail the import burden but increasing its reliance on local production, to stabilize the export activities and to increase foreign remittances. Future outlook may turn to positive directions if Government remained to boost such efforts towards macroeconomic targets.

The underlying 'fault lines' have caused the economic gains of past to meltdown, primarily due to, inter-alia, monetary and fiscal tightening, currency devaluation, high energy tariffs and interest rates and inflationary effects, which have also deteriorated the economic fundamentals and competitiveness of the economy. The country has been undergoing an unprecedented economic recession, which is not going to end soon, as endogenous and exogenous shocks are mounting challenges for our policymakers. The deterioration of the macroeconomic fundamentals, high cost of doing business and crowding-out of private sector have also caused massive unemployment in the economy. Out of the 14 global recessions since 1870, the present COVID-19 oriented global recession will be the fourth-deepest and steepest and the most severe since world War II. Consequently, Pakistan's national output is likely to worsen with the effects of COVID-19 and could jeopardize medium to long term prospects of the country. Due to significant contraction measures adopted by the Federal Government and the ongoing pandemic, Pakistan's GDP growth has dropped from 5.53% in 2017-18 to -0.38% in 2019-20. Moreover, the GDP growth of the country for 2018-19 had also been revised down to 1.91%, as compared to provisional figures of 3.3%. The last time Pakistan witnesses a negative GDP growth in Pakistan was in 1951-52. Under the incumbent regime, the GDP size in US dollar terms has dropped to \$264 billion in 2019-20. Whereas, the size of the GDP was recorded at \$315 billion and \$279 billion in 2017-18 and 2018-19 respectively.

The outgoing fiscal year 2019-20 witnessed a GDP growth of (0.38%) against the ambitious target of 4%. The target was based upon sectorial growth projections for agriculture, industry, and services. The Country's industrial sector deteriorated by 2.64% during the reporting period. Large Scale Manufacturing (LSM) shrinks 10.17%. The construction sector continued to raise its share in GDP to 10% supporting other allied industries including the steel industry.

The steel industry is the second biggest industry in the world after oil and gas. The steel consumption is projected to increase 1.5 times by 2050. The 65 countries accounted for 98% of world crude steel production touched 1.6 billion metric tons (MT) in 2015. The Chinese steel industry accounted for 803.8 million MT, which is around 50% of global crude steel output. The end use for steel pipes lies primarily in the oil & gas, which is adversely affected due to decline in prices of oil in international market.

Steel demand gained traction from increase in automobile production, appliances and on-going construction activities. Such strong demand of steel that even a sharp growth in domestic production was not enough to curtail imports. Robust construction activities mainly led to an increase in demand for steel and allied products.

The major hurdle encountered by the steel industry is to import the steel products from China under Pak-China FTA at concessionary duties which are causing the obstacles to steel industry growth in the country. The domestic industry is facing cheap imports from China which is causing unfair trade practices. No relief is provided to domestic industry, such as custom duty is imposed on steel products that results in increased production cost.



Operating Performance

The operating performance of the Company is shown below:

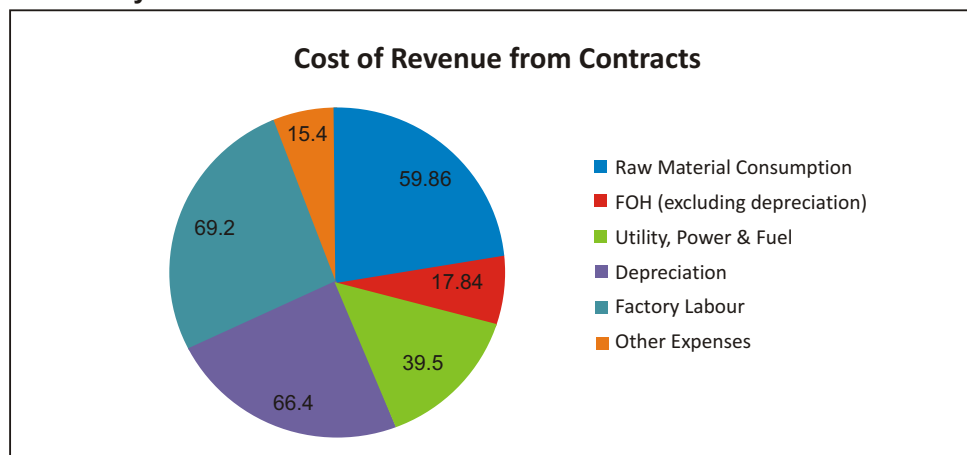
	June 30 2020	June 30 2019	Difference	
	(Rs. in Million)		In Rupees	In percentage
Sales Net	341.6	501,103	(159.5)	-32%
Cost of Goods Sold	(268.2)	(368,5)	(100.3)	-27%
Gross Profit	73.4	132.6	(59.2)	-45%
Distribution Cost	(16.8)	(14.0)	2.8	20%
Administrative Cost	(41.8)	(71.9)	(30.1)	-42%
	(58.6)	(85.9)	(27.3)	-32%
	14.8	46.7		
Other Operating Charges	(3.8)	(6.4)	(2.6)	-41%
Other Operating Income	13.1	41.2	(28.1)	-68%
	24.1	81.5	(57.4)	-70%
Finance Cost	(33.6)	(48,6)	(15.0)	-31%
Profit / (Loss) before taxation	(9.5)	32.9	(42.4)	-129%
Taxation	3.4	(30.7)	(34.1)	-111%
Profit / (Loss) after taxation	(6.1)	2,2	(8.3)	-377%

The Company's net sales of Rs 341.6 million are 32% lower than the last year's sales of Rs. 501.1 million. The period under review was depressed due to COVID-19 pandemic which impacted the business activities around the globe. The Company is also facing since long time the dumping of the Chinese inferior Seamless Tubular products in Pakistan. The company countered this effect to keep continue its policy of producing quality products and delivered to quality conscious customers.

The loss after taxation for the year is Rs 6.1 million appearing on the face of the Profit & Loss account. Considering the all economic scenario throughout the globe due to global pandemic, the Management of the Company remained successful to reduce net loss at minimum level. In a scenario as already stated, it was main objective to remain in existence in the market to capitalize the business opportunities in future. Further, the Management of the Company was successful to retain loss at minimum by controlling administration cost of Rs. 41.8 million as compared to last year Rs. 71.9 million.

Cost Analysis

Rs. In million



Production

The production of seamless tubular products during the year was 747 Metric Tons as compared to 2,744 Metric Tons in the last year. On the other hand our revenue segment Coating Plant which produced 4,829 Metric Tons as compared to 4,076 Metric Tons last year. In future, its production is expected to be increased by leaps and bounds which will serve as an independent Cash Generating Segment for the company.

Earnings per share

The Company's earnings per share have gone down below zero due to worst business conditions due to Covid-19 pandemic scenario during the year. The earnings per share during the year is Rs. (0.11) per share. The lower down variation is due depressed economic conditions for business industries throughout the globe. The EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) is Rs. 90 million is quite helpful for the users of the Financial Statement to consider the sustainability and payback ability of the Company.



Remuneration to the directors

Executive Directors were paid remuneration as approved by the board of the directors and the details of remuneration are available in note 34 to the accounts.

Capital Expenditures

Considering the depressed business conditions due global pandemic the Company has not incurred any capital expenditures. The Company has focused to re-evaluate the business condition at frequent intervals specially the pandemic effects on global business.

Statement of Internal Controls

The system of internal control is based on an on-going process designed to identify the principal risks to the achievements of the Company's policies, aims and objectives to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Management assumes the responsibility of establishing and maintaining adequate Internal Controls and Procedures while the Board of Directors is ultimately responsible for the internal control system. In this connection the Company has documented procedures and manuals, which incorporates the internal controls applicable while conducting any transactions. These procedures are revised and updated as and when required.

The BOD has setup an effective internal audit function and the persons engaged therein are the suitably qualified and experienced for the purpose and are well-conversant with the company's policies and procedures.

The system of internal control is designed to manage the risk of failure to achieve the company's policies, aims and objectives. It can, therefore, only provide reasonable and no absolute assurance against material misstatements or loss. The system of internal controls being followed by the Company is considered adequate and sound in design and is being effectively implemented and monitored.

Risk Management Framework

All Company activities involve combination of risks. The most important risk categories that the Company is exposed to are liquidity risk, market risk and operational risk. Well established risk governance for the effective management of risk at all levels has been developed. It is the responsibility of all Company officers to identify, assess, mitigate and manage risk within the scope of their assigned responsibilities.

Safety, Health, Environment and Quality

The Company management is committed to safety, health and quality and sustaining its positions an environmentally friendly Company. It takes great care of the community in which it operates. Environmental improvement and conservation of natural resources are part of the Company's policies and operations. In this regard the Company continues to hold certifications of ISO 9001:2000, API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED Germany from the international certification agencies, which is a proof of its commitment to safety, health, environment and quality.

Human resource

Company's employees are most valued assets for the Company. The Management encourages teamwork and realization of maximum potential to promote performance focussed culture. Focus of our Human Resource strategy is therefore, to develop and align intellectual capital to achieve our business goals. Our hiring system stresses diversity, skills and innovative approach. We encourage continuous improvement at all levels and facilitate opportunities for growth to employees without discrimination.

Further, an employee code of conduct has been finalized and disseminated throughout the organisation and has also been placed on the Company's official web-site as per the requirement of Code of Corporate Governance 2017.

Corporate Social Responsibility

The Company management strongly believes that every business entity needs to contribute to the well-being of its surrounding communities for a better and prospering nation. In this connection we are committed to engage skilled & non-skilled workers from surrounding areas, rural and underdeveloped communities. Further, we have constructed staff residence, a hospital and a school within our factory premises. We have also established a permanent mosque and a plant for the pure drinking water over there to facilitate not only our staff but the poor people of Nooriabad.

Auditors

The present external auditors M/s. H.A.M.D & Co., Chartered Accountants, have retired and offered themselves for re-appointment. The same is also recommended by the Audit Committee.

Training program attended by the directors

The Board has been provided with detailed in-house briefings and information package to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company, for and on behalf of the shareholders. Five Directors have already been completed Directors' Training Program required by the Code whereas other seven directors possess experience of more than 16 years on the board of a listed company and education of more than 15 years. Therefore, they are exempted from the directors' training program as per Code of Corporate Governance.

Definition of Executive

As per the requirement of Code of Corporate Governance 2017, the BOD has set a threshold of Rs 1.2 million (i.e. Gross salary not less than one lac per month) for the definition of Executive. Now, for our company Executive means CEO, CFO, Company Secretary and other employees of the company whose gross salary exceed Rs 1,200,000 per annum.



Corporate and Financial Reporting Framework

Management of the Company is committed to good corporate governance and complying with the requirements of the best practices of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP). The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting framework and thus states that:

- o The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- o Proper books of accounts have been maintained by the Company.
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- o International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- o The system of internal control is sound in design and has been effectively implemented and monitored.
- o There are no significant doubts upon the Company's ability to continue as a going concern.
- o There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- o Due to the already stated conditions especially Deferred Taxation, Covid-19 and threat from Chinese steel industry, the Company is not in profit during the reported period. Therefore the directors of the Company have not considered any pay-out to shareholders which would help the Management of the Company towards future betterment.
- o The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- o The value of non-funded staff gratuity at close of the year was Rs. 94.7 million.
- o During the year under review five meetings of the Board of Directors were held. Attendance by each director was as follows:

Board / Sub Committee	Board Meeting	Audit Committee	Human Resources & Remuneration Committee
	Total number of meetings held during the year		
	3	2	–
Mr. Talal Mohamed Y. Najibi (UAE)	–	–	–
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)	–	–	–
Mr. Fahad Abdul Aziz Eshaq (UAE)	–	–	–
Mr. Muhammad Hafiz (UK)	–	–	–
Mr. Arshad Ahmed (UK)	1	–	–
Hafiz Abdul Waheed	1	–	–
Hafiz Abdul Sami	3	2	–
Hafiz Abdul Aleem	1	–	–
Hafiz Abdul Majid	3	–	–
Hafiz Abdul Haseeb	3	–	–
Mr. Nasir Mahmood (Ind-Director)	3	2	–
Mr. Asghar Imam Khalid (Ind-Director)	2	2	–
M/s Javeria Sami (Female Director)	2	–	–

Leave of absence was granted to Directors who could not attend some of the board meetings.

Pattern of Shareholding

A statement of the pattern of shareholding of certain classes of shareholders as at 30 June 2020, whose disclosure is required under the reporting framework, is included in the report.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year, except as disclosed in the pattern of shareholding.

Joint Venture Agreement with Chinese Company:

A new Company was established in Pakistan during the year 2017-18 under the name of HPY Coating (Private) Limited ("HPY") in collaboration with Jiangsu PuYuan Steel Pipe Industry Company Limited ("PuYuan") for setting up a project for providing Polyethylene Coating Services to its prospective customers ("Project") on the basis of a 55% (Fifty-Five Percent) to a 45% (Forty-Five Percent) shareholding with Huffaz owning 55% (Fifty-Five Percent) [23,100,000 (Twenty-Three Million One Hundred Thousand) Shares @ 10 (Ten) each] of the issued shares capital in HPY against transfer of Land & Building therein and PuYuan owning 45% (Forty-Five Percent) [18,900,000 (Eighteen Million Nine Hundred Thousand) Shares @ 10 (Ten) each] of the issued shares capital of HPY against transferring Project Equipment subject to all necessary Corporate and regulatory approval as per recommendation of Board of Directors.



This project is the urgent requirement of the Country in recent days due to continuous demand of PE coating of spiral welded pipe especially for CPEC, transportation of Oil, Gas and Water particularly Gas transportation as Oil and Gas sectors are consistently announcing the tenders for this type of Coating and only the foreign companies participating therein, owing to non-availability of such plant in Pakistan or are due to be initiated shortly in which spiral welded pipe and its PE coating would be required. This project shall be a value addition service for the products of Huffaz. HPY is presently set up as a wholly owned subsidiary of Huffaz. The management control will be with Huffaz by virtue of majority directors on the Board.

Building and related facility is ready. Plant, machinery & accessories have arrived in Pakistan and production will start in very near future.

Spiral Welded Plant:

The Company has already acquired in 2018-19 the technology and plant of producing Spiral welded pipes, having the capacity of 100,000 metric ton. This plant has the capacity of producing the spiral welded pipes & tubes of 12~100 inch Dia. It is really a great achievement of your company. The company not only has the ability to produce Seamless Pipes & tubes of ¼ inch to 12 inch Dia but also spiral welded pipes. The plant has been reached to the factory premises. The erection would be started shortly. As on today, the Company has two lines of Seamless Plant, four Coating lines of inside and outside Coating from 1~24 inch and 8~100 inch dia and now a Spiral Welded Plant also.

Future Outlook and Challenges

The Petroleum Division is going to seek government's approval for an integrated strategy to revive abandoned multibillion-dollar gas pipeline projects in a bid to address energy shortages. The Petroleum Division was set to present two to decide the fate of old gas pipeline projects in order to ensure energy security in the country.

Under the first option, the Petroleum Division wants to revive the Gawadar-Nawabshah LNG Terminal and Pipeline project under the integrated strategy for gas import and infrastructure. The project will provide infrastructure and liquefied natural gas (LNG) supplies. It may also be extended to the Iranian border in future for gas purchases from the Gulf country. Gas pipelines necessary to save economy from collapse. Pakistan, Russia to ink \$10 billion offshore pipeline deal. Under a revised strategy approved by the ECC, it was planned that the pipeline would transport up to 600 million cubic feet of re-gasified LNG per day (mmcf) in the first phase and would be connected with the North-South gas pipeline at Nawabshah for onward supply to the Sui Northern Gas Pipeline's network near Kasur. In the second phase, the gas transmission capacity of the Gwadar pipeline would be enhanced up to 1,500 mmcf with the addition of Iranian gas, if it becomes available.

Under the second option, the Petroleum Division will seek approval for phase-wise capacity utilization of the North-South gas pipeline project in case it is considered a standalone project, which will be connected with upcoming private-sector LNG terminals at Karachi port under third-party access rules.

We have an optimistic outlook for the upcoming years. The local demand of our products is expected to pick up as the Government's intention to increase gas supply whether through TAPI gas pipe line from Central Asia to Pakistan and India or through Thar coal or importing Liquefied Natural Gas ["LNG"] or others which will have positive impact on the demand of our seamless pipes. The Government has undertaken to lay down LNG pipeline from Karachi to Lahore having the estimated cost of Rs. 64.9 billion as well as looking for Iran-Pakistan ("IP") gas pipeline project to supply both imported LNG as well as indigenous gas in place of Gwadar-Nawabshah LNG Pipe line project (700 km). The IP pipeline would begin from South field of Iran to end at Nawabshah with a total distance to 1931 km out of which roughly 781 km will be in the Pakistan side. Besides, China has agreed to invest in Oil and gas section of Pakistan and have reached an agreement with ODGCL to come to Pakistan in the sector and to invest billions in drilling and developing the gas reserves of the Country.

The company is hopeful that the demand for seamless pipes will gradually expand in the next year, with increase in demand for line pipe coatings. We are hopeful that the business activity will boost up.

The Company's management is making all efforts to improve the capacity utilization of its existing operations. We are also laying emphasis on our internal operational efficiencies by rationalization of the processes for improved quality, making all efforts to acquire the material at competitive price and reduce the cost of doing business.

Stakeholders

Customer satisfaction is vital for us to meet our long-term objectives. We would like to express our thanks to our customers for their support and look forward to seeking their continuous patronage.

Our thanks also go to the financial institutions and shareholders for their continued support which is a key to success of the Company.

Our employees have contributed significantly towards Company's objective and continue to remain committed. Our long-term growth has been possible as a result of their continuous commitment which has ensured a base for the Company. On behalf of the Directors we are pleased to record our appreciation.



Hafiz Abdul Majid
Chief Executive
Karachi, 9 June 2021



ڈائریکٹر ز رپورٹ برائے ممبران

محترم حصص داران

حفاظت سیم لیس پائپ انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز ۳۰ جون ۲۰۲۰ء تک ختم ہونے والے سال کے لئے اس وقت سالانہ آڈٹ کردہ مالی حسابات اور آڈیٹروں کی رپورٹ کے ساتھ کمپنی کی ۳۷ ویں سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

معیشت کا جائزہ

حکومت ملک کے لئے نئی جہتیں طے کرنے کے لئے جدوجہد کر رہی ہے اور معاشی چیلنجوں کے لئے جگہ مہیا کر رہی ہے۔ معیشت کے لئے سب سے اہم چیلنج اس کی تائید کے لئے وابستہ وسائل کے بغیر بڑھتی ہوئی مجموعی طلب ہے، جس کی وجہ مالی اور بیرونی کھاتوں کے خسارے میں اضافہ ہوتا ہے۔ شدید معاشی عدم استحکام کے مسئلے کو حل کرنے اور معیشت کو مستحکم ترقی اور استحکام کی راہ پر گامزن کرنے کے لئے، حکومت نے معاشی اور ساختی اصلاحات کے اقدامات کا ایک جامع سیٹ متعارف کرایا ہے، جس کے نتائج آئیو اے وقتوں میں عملی شکل دیئے جائیں گے۔

بین الاقوامی سطح پر تیل کی قیمتوں میں تیزی سے اضافے سے پیدا ہونے والے مہنگائی کے دباؤ سے نمٹنے کے لئے اسٹیٹ بینک آف پاکستان (ایس بی پی) کے ذریعہ برقرار رکھی جانے والی اعلیٰ سود کی شرحیں اور زرمبادلہ کی شرح اب بھی بہت زیادہ ہے اور امید ہے کہ مستقبل میں بھی جاری رہے گی۔ حکومت درآمدی بوجھ کو کم کرنے کے قابل نہیں ہے، لیکن برآمدات کی سرگرمیوں کو مستحکم کرنے اور غیر ملکی ترسیلات زر بڑھانے کے لئے مقامی پیداوار پر انحصار بڑھا رہی ہے۔ اگر حکومت معاشی اہداف کے لئے اس طرح کی کوششوں کو فروغ دیتی رہی تو مستقبل کا نقطہ نظر مثبت سمتوں کا رخ کر سکتا ہے۔

بنیادی فائلٹ لائنز ماضی کے معاشی فوائد کے پھلنے کا سبب بنی ہیں، بنیادی طور پر بین المذاہب، مالیاتی اور مالیاتی سختی، کرنسی کی قدر میں کمی، اعلیٰ توانائی کے نرخوں اور سود کی شرحوں اور افراط زر کے اثرات کی وجہ سے جس نے معاشی بنیادی اصولوں کو بھی خراب کیا ہے۔ معیشت کی مسابقت، ملک ایک بے مثال معاشی کساد بازاری کا شکار رہا ہے، جو جلد ہی ختم ہونے والا نہیں ہے، کوئٹہ پیچیدہ اور خارجی جھٹکے ہمارے پالیسی سازوں کے چیلنجوں کو بڑھا رہے ہیں۔ معاشی بنیادی اصولوں کا بگاڑ کاروبار کرنے میں زیادہ لاگت اور نجی شعبے سے باہر نکلتا بھی معیشت میں بڑے پیمانے پر بے روزگاری کا باعث بنا ہے۔

1870 سے لے کر اب تک کے 14 عالمی کساد بازاری میں سے موجود COVID-19 پڑنی عالمی کساد بازاری دوسری جنگ عظیم کے بعد چوتھی گہرائی اور تیز تر اور انتہائی شدید ہوگی۔ اس کے نتیجے میں ممکن ہے کہ پاکستان کی قومی پیداوار COVID-19 کے اثرات سے خراب ہوا اور یہ ملک کے درمیانی اور طویل مدتی امکانات کو خطرے میں ڈال سکتی ہے۔ وفاقی حکومت اور موجودہ وبائی بیماری کے ذریعہ اپنائے جانے والے اہم معاہدے کے اقدامات کی وجہ سے پاکستان کی جی ڈی پی نمو 2017-18 میں 5.53 فیصد سے کم ہو کر 2019-20 میں 0.38 فیصد ہو گئی ہے۔ مزید یہ ہے کہ 2018-19 کے دوران ملک کی جی ڈی پی نمو میں بھی 1.3 فیصد کمی کی گئی تھی، جبکہ 3.3 فیصد کے عارضی اعداد و شمار کے مقابلے میں آخری بار جب پاکستان نے 1951-52 میں پاکستان میں جی ڈی پی کی منفی نمو دیکھی۔ برسر اقتدار حکومت کے تحت 2019-20 امریکی ڈالر کے لحاظ سے جی ڈی پی کا سائز گھٹ کر 264 ارب ڈالر رہ گیا ہے۔ جبکہ 2017-18 اور 2018-19 میں جی ڈی پی کا حجم بالترتیب 315 بلین اور 279 بلین ڈالر ریکارڈ کیا گیا۔

سبکدوش ہونے والے مالی سال 2019-20 میں جی ڈی پی کی شرح نمو (0.38%) 4 فیصد کے متوقع ہدف کے مقابلے میں ہوئی۔ اس کا ہدف زراعت، صنعت اور خدمات کے شعبے میں ترقی کے تخمینوں پر مبنی تھا۔ رپورٹنگ کی مدت کے دوران ملک کا صنعتی شعبہ 2.64 فیصد تک خراب ہوا۔ بڑی پیمانے پر مینوفیکچرنگ (ایل ایس ایم) سیکٹر 10.17 فیصد تعمیراتی شعبے نے جی ڈی پی میں اپنا حصہ 10 تک بڑھایا جاس سے اسٹیل انڈسٹری سمیت دیگر اتحادی صنعتوں کی حمایت کی جا رہی ہے۔



اسٹیل انڈسٹری تیل اور گیس کے بعد دنیا کی دوسری بڑی صنعت ہے۔ 2050 تک اسٹیل کی کھپت میں 1.5 گنا اضافہ متوقع ہے۔ 65 ممالک میں عالمی سطح پر خام اسٹیل کی 98 فیصد پیداوار 1.6 بلین میٹرک ٹن (ایم ٹی) تک پہنچ گئی ہے۔ عالمی سطح پر خام اسٹیل کی پیداوار ہے۔ اسٹیل پائپ کا آخری استعمال بنیادی طور پر تیل اور گیس میں ہوتا ہے، جو بین الاقوامی مارکیٹ میں تیل کی قیمتوں میں کمی کی وجہ سے بری طرح متاثر ہوتا ہے۔ اسٹیل کی طلب نے آٹوموبائل کی پیداوار، اینپلائمنسز اور جاری تعمیراتی سرگرمیوں میں اضافے سے فائدہ حاصل کیا۔ اسٹیل کی اتنی مضبوط طلب کہ درآمدات کو روکنے کے لئے گھریلو پیداوار میں بھی تیز شرح کا نمو کافی نہیں تھی۔ مضبوط تعمیراتی سرگرمیاں بنیادی طور پر اسٹیل اور اس سے منسلک مصنوعات کی طلب میں اضافہ کا باعث بنی ہیں۔

اسٹیل انڈسٹری کو درپیش سب سے بڑی رکاوٹ پاک چین ایف ٹی اے کے تحت چین سے اسٹیل کی مصنوعات کو مرعاتی ڈیوٹیوں پر درآمد کرنا ہے، جو ملک میں اسٹیل صنعت کی نمو میں حائل رکاوٹوں کا باعث ہے۔ گھریلو صنعت کو چین سے سستے درآمدات کا سامنا کرنا پڑ رہا ہے، جو ناجائز تجارتی طریقوں کا سبب بن رہا ہے۔ گھریلو صنعت کو کوئی ریلیف نہیں دیا جاتا ہے، جیسے اسٹیل مصنوعات پر کسٹم ڈیوٹی عائد کی جاتی ہے، جس کے نتیجے میں پیداواری لاگت میں اضافہ ہوتا ہے۔

آپریٹنگ کارکردگی

کمپنی کی آپریٹنگ کارکردگی کو ذیل میں دکھایا گیا ہے:

فرق	30 جون 2020	30 جون 2019	فرق
فیصد میں	روپے میں	روپے میں	فیصد میں
		روپے 000 میں	
-32%	(159.5)	501.1	341.6
-27%	(100.3)	(368.5)	(268.2)
-45%	(59.2)	132.6	73.4
20%	2.8	(14.0)	(16.8)
-42%	(30.1)	(71.9)	(41.8)
-32%	(27.3)	(85.9)	(58.6)
		46.7	14.8
-41%	(2.6)	(6.4)	(3.8)
-68%	(28.1)	41.2	13.1
-70%	(57.4)	81.5	24.1
-31%	(15.0)	(48.6)	(33.6)
-129%	(42.4)	32.9	(9.5)
-111%	(34.1)	(30.7)	3.4
-377%	(8.3)	2.2	(6.1)

خالص فروخت

قیمت فروخت

مجموعی منافع

فروخت اور تقسیم کے اخراجات

انتظامی اخراجات

دیگر آپریٹنگ اخراجات

دیگر آمدنی

فنانس کی قیمت

ٹیکس سے پہلے کا منافع

ٹیکس

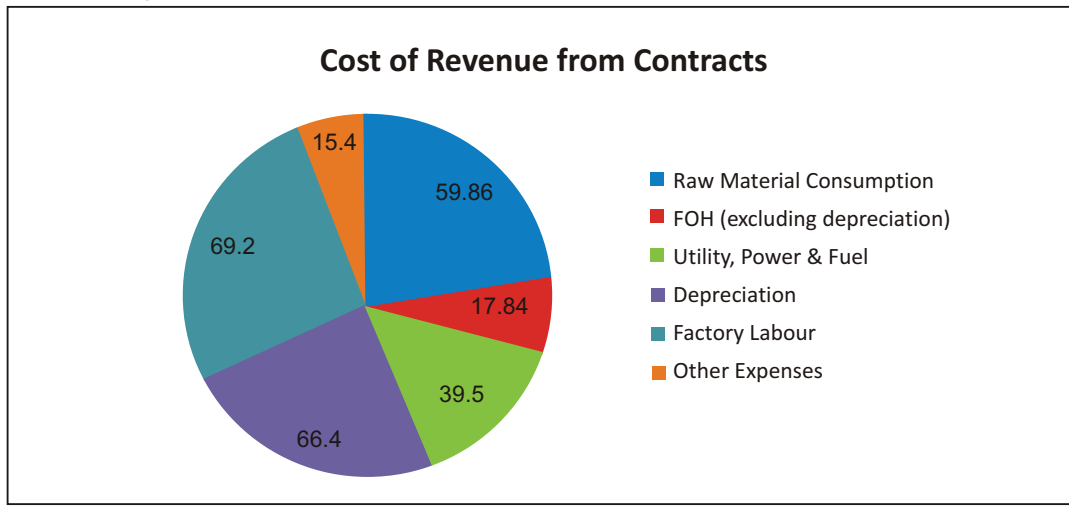
ٹیکس کے بعد کا منافع



کمپنی کی خالص فروخت 341.6 ملین روپے رہی جو کے گزشتہ سال کی فروخت جو 32 فیصد کم ہے۔ 501.1 زرغور مدت کوویڈ 19 وبائی بیماری کی وجہ سے افسردہ تھا، جس نے پوری دنیا میں کاروباری سرگرمیوں کو متاثر کیا۔ اس کمپنی کو بھی طویل عرصے سے پاکستان میں چینی کمتر سیمپلس ٹیوبلر مصنوعات کو پھینکنے کا سامنا ہے۔ کمپنی نے معیاری مصنوعات تیار کرنے کی اپنی پالیسی جاری رکھنے اور معیار کے ہوش مند صارفین تک پہنچانے کے لئے اس اثر کا مقابلہ کیا۔ سال کے لئے ٹیکس کے بعد ہونے والا نقصان منافع اور خسارے کے کھاتے کے چہرے پر 6.1 ملین روپے ظاہر ہوتا ہے۔ عالمی وبائی مرض کی وجہ سے پوری دنیا میں تمام معاشی منظر ناموں پر غور کرتے ہوئے، کمپنی کی انتظامیہ کم سے کم سطح پر خالص نقصان کو کم کرنے میں کامیاب رہی۔ جیسا کہ پہلے ہی کہا گیا ہے، اس منظر میں مستقبل میں کاروباری مواقع کو فائدہ پہنچانے کے لئے مارکیٹ میں اپنا وجود برقرار رکھنا بنیادی مقصد تھا۔ مزید یہ کہ کمپنی کی انتظامیہ لاگت کو پچھلے سال کے مقابلے میں 41.8 ملین روپے سے 71.9 ملین روپے تک کٹرول کر کے کم سے کم نقصان برقرار رکھنے میں کامیاب رہی۔

Cost Analysis

Rs. In million



پیداوار

ایک سال کے دوران ہموار ملی نما مصنوعات کی پیداوار 747 میٹرک ٹن تھی، جبکہ اس سے پچھلے سال میں 2.744 میٹرک ٹن تھا۔ دوسری طرف ہمارے محصولاتی حصے کو کوئنگ پلانٹ جس نے گزشتہ سال 4,076 میٹرک ٹن کے مقابلے 4,829 میٹرک ٹن پیدا کیا۔ مستقبل میں اس کی پیداوار میں چھلانگ اور حدیں بڑھنے کی توقع ہے، جو کمپنی کے لئے ایک آزاد کیش جزیٹنگ سیگمنٹ کا کام کرے گی۔

فی شیئر آمدنی

سال کے دوران کوویڈ 19 میں وبائی امراض کے پیش نظر خراب کاروباری حالات کی وجہ سے کمپنی کی فی حصص آمدنی صفر سے نیچے چلی گئی ہے۔ سال کے دوران فی حصص آمدنی (0.11) فی شیئر نیچے کی مختلف حالتوں سے پوری دنیا میں کاروباری صنعتوں کے افسردہ معاشی حالات ہیں۔ ایپڈا (سود، ٹیکس، فرسودگی اور امتیازی سے پہلے کی آمدنی) روپے ہے۔ فنانشل اسٹیٹمنٹ کے صارفین کے 90 ملین ڈالر کمپنی کے استحکام اور ادائیگی کی صلاحیت پر غور کرنے میں کافی مددگار ثابت ہوتا ہے۔

ڈائریکٹرز کو معاوضہ

ایگزیکٹو ڈائریکٹرز کو بطور معاوضہ ادا کیا گیا تھا، جیسا کہ بورڈ آف ڈائریکٹرز نے منظور کیا ہے اور معاوضے کی تفصیلات اکاؤنٹ میں نوٹ 34 میں دستیاب ہیں۔



سرمائے کے اخراجات

عالمی وبائی بیماری کی وجہ سے دباؤ کا شکار کاروباری حالات پر غور کرتے ہوئے کمپنی نے کوئی سرمایہ خرچ نہیں کیا ہے۔ کمپنی نے متعدد وقفوں سے کاروباری حالت کو دوبارہ تشخیص کرنے پر توجہ دی ہے خاص طور پر عالمی کاروبار پر وبائی امراض کا اثرات پر۔

اندرونی کنٹرول کا بیان

داخلی کنٹرول کا نظام ایک جاری عمل پر مبنی ہے، جو کمپنی کی پالیسیوں، ان مقاصد کے جو خطرات کی نوعیت اور وسعت کا اندازہ لگانے اور ان کو موثر، موثر اور معاشی طور پر منظم کرنے کے لئے اصل خطرات کی نشاندہی کرنے کے لئے ڈیزائن کیا گیا ہے۔ مینجمنٹ مناسب داخلی کنٹرول اور طریقہ کار کے قیام اور برقرار رکھنے کی ذمہ داری قبول کرتی ہے جبکہ بورڈ آف ڈائریکٹر بالآخر داخلی کنٹرول سسٹم کے لئے ذمہ دار ہوتا ہے۔ اس سلسلے میں کمپنی نے طریقہ کار اور دستی دستاویزات کو دستاویز کیا ہے، جس میں کسی بھی قسم کے لین دین کے دوران داخلی کنٹرول کا اطلاق ہوتا ہے۔ جب ضرورت ہو تو یہ طریقہ کار نظر ثانی اور اپ ڈیٹ ہوتا ہے۔

بورڈ آف ڈائریکٹر نے ایک موثر داخلی آڈٹ فنکشن ترتیب دیا ہے اور اس میں مصروف افراد اس مقصد کے لئے مناسب اہل اور تجربہ کار ہیں اور وہ کمپنی کی پالیسیوں اور طریقہ کار کے ساتھ اچھے تبادلہ خیال ہیں۔

داخلی کنٹرول کا نظام کمپنی کی پالیسیوں، مقاصد اور مقاصد کے حصول میں ناکامی کے خطرے کے انتظام کے لئے بنایا گیا ہے۔ لہذا یہ صرف مادی غلطیوں یا نقصانات کے خلاف کوئی معقول اور قطعی یقین دہانی فراہم نہیں کر سکتا ہے۔ اندرونی کنٹرول کے نظام کو کمپنی کے ذریعہ بنایا جا رہا ہے، جس کو ڈیزائن میں مناسب اور مناسب سمجھا جاتا ہے، اور اس پر موثر انداز میں عمل درآمد اور نگرانی کی جا رہی ہے۔

رسک مینجمنٹ فریم ورک

کمپنی کی تمام سرگرمیوں میں خطرات کا مجموعہ شامل ہے۔ سب سے اہم خطرے والے زمرے جن کی کمپنی کے سامنے ہے وہ ہیں لیکویڈیٹی رسک، مارکیٹ رسک اور آپریشنل رسک، ہر سطح پر رسک کے موثر انتظام کے لئے اچھی طرح سے قائم رسک گوننس تیار کیا گیا ہے۔ کمپنی کے تمام افسران کی ذمہ داری ہے کہ وہ اپنی تفویض کردہ ذمہ داریوں کے دائرہ کار میں خطرہ کی شناخت، تشخیص، تخفیف اور ان کا انتظام کریں۔

حفاظت، صحت، ماحولیات اور معیار

کمپنی انتظامیہ حفاظت، صحت اور معیار اور ماحول دوست ماحول میں اپنے عہدوں کو برقرار رکھنے کے لئے پرعزم ہے۔ یہ جس برادری میں کام کرتی ہے اس کا بہت خیال رکھتی ہے۔ ماحولیاتی بہتری اور قدرتی وسائل کا تحفظ کمپنی کی پالیسیوں اور ان کا ایک حصہ ہے۔ اس سلسلے میں کمپنی بین الاقوامی سرٹیفیکیشن ایجنسیوں کے آئی ایس او 14001: 2004، OHSAS 18001: 2007، ISO 9001: 2008، API 5CT، API 5L اور ایس او 10001: 2000، API Q1، 2000 کی سندیں جاری رکھے ہوئے ہے، حفاظت، صحت، ماحول اور معیار کے لئے اپنی وابستگی کا ثبوت۔

انسانی وسائل

کمپنی کے ملازمین کمپنی کے لئے سب سے قیمتی اثاثے ہیں۔ انتظامیہ ٹیم ورک اور کارکردگی پر مبنی ثقافت کو فروغ دینے کے لئے زیادہ سے زیادہ صلاحیتوں کا حصول کی حوصلہ افزائی کرتا ہے۔ لہذا ہماری انسانی وسائل کی حکمت عملی کی توجہ اپنے کاروباری اہداف کے حصول کے لئے دانشورانہ سرمائے کی ترقی اور ان کی سیدھ میں لانا ہے۔ ہمارے کرایہ پر لینا نظام تنوع، مہارت اور جدید نقطہ نظر پر زور دیتا ہے۔ ہم ہر سطح پر مسلسل بہتری کی ترغیب دیتے ہیں اور ملازمین کو بلا امتیاز ترقی کے مواقع فراہم کرتے ہیں۔



مزید یہ کہ ایک ملازم ضابطہ اخلاق کو حتمی شکل دے دی گئی ہے اور پوری تنظیم میں اس کی تشہیر کی گئی ہے اور اس کو ڈ آف کارپوریٹ گورننس 2017 کی ضرورت کے مطابق کمپنی کی سرکاری ویب سائٹ پر بھی رکھ دیا گیا ہے۔

کمپنی انتظامیہ کا پختہ یقین ہے کہ ہر کاروباری ادارے کو ایک بہتر اور خوشحال قوم کے لئے اپنے آس پاس کی کمیونٹی کی فلاح و بہبود میں کردار ادا کرنے کی ضرورت ہے۔ اس سلسلے میں ہم آس پاس کے علاقوں، دیہی اور ترقی یافتہ کمیونٹی کے ہنرمند اور غیر ہنرمند کارکنوں کو شامل کرنے کے لئے پرعزم ہیں۔ مزید یہ کہ ہم نے اپنے کارخانے کے احاطے میں عملے کی رہائش ایک اسپتال اور ایک اسکول تعمیر کیا ہے۔ ہم نے وہاں پر اپنے بچوں کے صاف کے پانی کے لئے ایک مستقل مسجد اور ایک پلانٹ بھی قائم کیا ہے تاکہ نہ صرف اپنے عملے بلکہ نوری آباد کے غریب عوام کو سہولت ہو۔

آڈیٹر

موجودہ بیرونی آڈیٹرز میں HAMD & Co، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو چکے ہیں اور خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی نے بھی اس کی سفارش کی ہے۔

ترہیتی پروگرام میں ڈائریکٹرز نے شرکت کی

بورڈ کو کارپوریٹ گورننس کے ضابطہ اخلاق، قابل اطلاق قوانین، ان کے فرائض اور ذمہ داریوں سے واقف کرنے کے لئے تفصیلی اندرون خانہ بریفنگز اور انفارمیشن پنچ مہیا کیا گیا ہے تاکہ وہ کمپنی کے معاملات کو مؤثر طریقے سے سنبھال سکیں، تاکہ وہ شیئر ہولڈرز کی جانب سے اور مؤثر طریقے سے انتظام کر سکیں۔ کوڈ کے ذریعہ مطلوب ڈائریکٹرز کے ٹریننگ پروگرام میں پانچ ڈائریکٹرز پہلے ہی مکمل ہو چکے ہیں، جبکہ دیگر سات ڈائریکٹرز ایک درج کمپنی کے بورڈ میں 16 سال سے زیادہ کا تجربہ رکھتے ہیں اور 15 سال سے زیادہ کی تعلیم رکھتے ہیں۔ لہذا کوڈ آف کارپوریٹ گورننس کے مطابق انہیں ڈائریکٹرز کے ترہیتی پروگرام سے مستثنیٰ قرار دیا گیا ہے۔

ایگزیکٹو کی تعریف

کوڈ آف کارپوریٹ گورننس 2017 کے تقاضے کے مطابق بی او ڈی نے ایگزیکٹو کی تعریف کے لئے 1.2 ملین روپے (یعنی مجموعی تنخواہ ایک لاکھ سے کم نہیں) حد مقرر کی ہے۔ اب ہماری کمپنی کے لئے ایگزیکٹو کا مطلب سی ای او، کمپنی سیکریٹری اور کمپنی کے دوسرے ملازمین ہیں، جن کی مجموعی تنخواہ 1,200,000 (بارہ لاکھ) سے زیادہ ہے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

☆ کمپنی کی انتظامیہ اچھی کارپوریٹ گورننس اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس۔ ای۔ سی۔ پی) کے تقاضوں کے مطابق کوڈ آف کارپوریٹ گورننس کے بہترین طریقہ کی ضروریات کی تعمیل کے لئے پرعزم ہے۔ کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کے سلسلے میں بورڈ اپنی ذمہ داریوں کو تسلیم کرتا ہے اور اس طرح بیان کرتا ہے کہ:

☆ کمپنی کی انتظامیہ کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے آپریشنز، نقد بہاؤ اور ایکٹیویٹی میں بدلاؤ کے نتائج پیش کرتے ہیں۔

☆ کمپنی کے ذریعہ اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

☆ مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔



- ☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے، اور وہاں سے کسی بھی طرح کی روانگی کا مناسب طور پر انکشاف کیا گیا ہے۔
- ☆ انٹر نل اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس موثر انداز میں نافذ اور نگرانی کی جارہی ہے کہ کمپنی کی جاری تشویش کے طور پر جاری رکھنے کی اہلیت پر کوئی خاص شبہات نہیں ہیں۔
- ☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی مادی طور پر رخصتی نہیں ہوئی ہے، جیسا کہ لسٹنگ ریگولیشنز میں تفصیلی ہے۔
- ☆ پہلے ہی بیان کردہ شرائط خصوصاً ڈیفریڈیکشن، کووڈ 19 اور چینی اسٹیل انڈسٹری کے خطرہ کی وجہ سے کمپنی اس مدت کے دوران منافع میں نہیں ہے۔ لہذا کمپنی کے ڈائریکٹرز نے حصص یافتہ کار کو کسی قسم کی ادائیگی پر غور نہیں کیا ہے، جو کمپنی کی انتظامیہ کو مستقبل کی بہتری کے لئے مددگار ثابت ہوگا۔
- ☆ پچھلے دس سالوں سے کمپنی کی اہم آپریٹنگ اور مالی اعداد و شمار کو اس رپورٹ سے منسلک کیا گیا ہے۔
- ☆ اس سال کے اختتام پر غیر فنڈز عملے کی گریجویٹ کی مالیت Rs. 94.7 ملین ہے۔
- ☆ جائزے کے تحت سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس ہوئے۔ ہر ہدایت کار کی حاضری کچھ یوں تھی:

انسانی وسائل اور معاوضہ کمیٹی	آڈٹ کمیٹی	بورڈ کا اجلاس	
سال کے دوران منعقد ہونے والے اجلاس کی تعداد			
—	2	3	
—	—	—	مسٹر طلال محمد نجفی (یو۔ اے۔ ای)
—	—	—	مسٹر نبیل عبدالرحمن احمد عارف (یو۔ اے۔ ای)
—	—	—	مسٹر فہد عبدالعزیز اسحاق (یو۔ اے۔ ای)
—	—	—	مسٹر محمد حافظ (یو۔ کے)
—	—	1	جناب ارشاد احمد (یو۔ کے)
—	—	1	حافظ عبدالوحید
—	2	3	حافظ عبدالسبع
—	—	1	حافظ عبدالعلیم
—	—	3	حافظ عبدالماجد
—	—	3	حافظ عبدالحمید
—	2	3	مسٹر ناصر محمود (آزاد ڈائریکٹر)
—	2	2	جناب اصغر امام خالد (آزاد ڈائریکٹر)
—	—	2	مسز جویریہ تسبیح خواتین ڈائریکٹر

غیر حاضری کی چھٹی ان ڈائریکٹرز کو دی گئی جو بورڈ کے اجلاسوں میں شرکت نہیں کر سکتے تھے۔

شیر ہولڈنگ کا نمونہ

- 30 جون 2020 کو کچھ حصص یافتگان کے حصص یافتگی کے انداز کے بارے میں ایک بیان، جس کا انکشاف رپورٹنگ فریم ورک کے تحت ضروری ہے، رپورٹ میں شامل کیا گیا ہے۔
- ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے شریک حیات یا نابالغ بچوں نے سال کے دوران کمپنی کے حصص میں کوئی تجارت نہیں کی، سوائے اس کے کہ شیر ہولڈنگ کے انداز میں انکشاف کیا جائے۔



چینی کمپنی کے ساتھ مشترکہ منصوبے کا معاہدہ:

جیانگ سوپیوآن اسٹیل پائپ انڈسٹری کمپنی لمیٹڈ ("سپوآن") کے تعاون سے پاکستان میں سال 2017-18 کے دوران پاکستان میں ایک نئی کمپنی کا قیام عمل میں لایا گیا تھا، جس کے لئے ایک پروجیکٹ قائم کرنا تھا۔ پوفیسلیمن کوئنگ سروسز اپنے متوقع صارفین (پروجیکٹ) کو 55 فیصد کی بنیاد پر 45 فیصد حصص یافتہ حصص جس میں 55 فیصد ہے۔

23 ملین ایک لاکھ ہزار حصص دس ہر ایک میں جاری حصص کیپٹل جس میں اس میں اراضی اور عمارت کی منتقلی اور 45 فیصد کے مالک 18,900,000 (اٹھارہ لاکھ ہزار) حصص کے حصص ہیں۔ بورڈ آف ڈائریکٹرز کی سفارش کے مطابق تمام ضروری کارپوریٹ اور ریگولیٹری منظوری سے مشروط پروجیکٹ کے سامان کی منتقلی کے خلاف جاری کردہ حصص کیپٹل میں دس ہزار

یہ پروجیکٹ حالیہ دنوں میں سرپل ویلڈ پائپ کی پنی کوئنگ کی مسلسل مانگ کی وجہ سے خصوصاً سی پی ای سی کے لئے تیل، گیس اور پانی کی نقل و حمل خصوصاً گیس کی نقل و حمل کی وجہ سے ملک کی فوری ضرورت ہے۔ کوئنگ کی قسم اور صرف غیر ملکی کمپنیاں میں حصہ لے رہی ہیں، اس وجہ سے پاکستان میں اس طرح کے پلانٹ کی فراہمی نہ ہو یا جلد ہی شروع کی جائے گی، جس پر سرپل ویلڈ پائپ اور اس کی پنی کوئنگ کی ضرورت ہوگی۔ یہ پروجیکٹ حفاظت کی مصنوعات کے ویلیو ایڈیشن سروس ہوگی۔ اس وقت مکمل طور پر حفاظت Huffaz کی ایک ذیلی ادارہ ہے۔ بورڈ میں اکثریت کے ہدایت کاروں کی وجہ سے انتظامیہ کا انتظام حفاز کے ساتھ ہوگا۔

عمارت اور متعلقہ سہولت تیار ہے۔ پلانٹ، مشینری اور لوازمات پاکستان پہنچ چکے ہیں اور مستقبل قریب میں پیداوار شروع ہوگی۔

اسپائرل ویلڈ پلانٹ

کمپنی نے اس سے پہلے ہی 2018-19 میں اسپائرل ویلڈ پائپ تیار کرنے کی ٹیکنالوجی اور پلانٹ حاصل کر لیا ہے، جس کی گنجائش 100,000 میٹرک ٹن ہے۔ اس پلانٹ میں اسپائرل ویلڈ پائپ اور 100 انچ دیا کے ٹیوبیں تیار کرنے کی گنجائش ہے۔ یہ واقعاً آپ کی کمپنی کا ایک بہت بڑا کارنامہ ہے۔ کمپنی کے پاس نہ صرف ہموار پائپ اور ٹیوبیں 1/4 انچ سے 12 انچ ڈائی پیدا کرنے کی صلاحیت ہے، بلکہ اس سے بھی اسپائرل ویلڈ پائپ ہیں۔ پلانٹ فیکٹری کے احاطے تک پہنچا ہے۔ اس کا کام جلد ہی شروع کر دیا جائے گا۔ آج تک، کمپنی کے پاس سیمپلیس پلانٹ کی دو لائنیں ہیں، کوئنگ کے اندر اور باہر کی چار کوئنگ لائنیں 24 انچ 100 انچ کی آئی ہیں اور اب اس میں ایک سرپل ویلڈ پلانٹ بھی ہے۔

مستقبل کا نظریہ اور چیلنجز

پٹرولیم ڈویژن توانائی کی قلت کو دور کرنے کے لئے متعدد ارب ڈالر گیس پائپ لائن منصوبوں کو ترک کرنے کے لئے مربوط عملی کے لئے حکومت سے منظوری حاصل کرنے جا رہا ہے۔ پٹرولیم ڈویژن نے ملک میں توانائی کی حفاظت کو یقینی بنانے کے لئے گیس پائپ لائن کے پرانے منصوبوں کی قسمت کا فیصلہ کرنے کے لئے درپیش کرنا تھا۔

پہلے آپشن کے تحت، پٹرولیم ڈویژن گوادرنواب ایل این جی ٹرمینل اور پائپ لائن منصوبے کو گیس کی درآمد اور انفراسٹرکچر کے لئے مربوط حکمت عملی کے تحت بحال کرنا چاہتا ہے۔ یہ منصوبہ انفراسٹرکچر اور مائع قدرتی گیس (ایل این جی) کی فراہمی فراہم کرے گا۔ خطی ملک سے گیس کی خریداری کے لئے مستقبل میں اسے ایرانی سرحد تک بھی بڑھایا جاسکتا ہے۔ معیشت کو تباہی سے بچانے کے لئے ضروری گیس پائپ لائنز۔ پاکستان اور روس کے درمیان 10 ارب ڈالر کی آف شور پائپ لائن معاہدے پر اتفاق ہوگا۔ ای سی سی کی منظور شدہ نظر ثانی شدہ حکمت عملی کے تحت یہ منصوبہ تیاری کیا گیا تھا کہ پائپ لائن پہلے مرحلے میں 600 ملین کعب فٹ فی دن دوبارہ گیسفاؤنڈ ایل این جی تک پہنچائے گی اور اسے نواب شاہ میں نہ تو تھ ساؤتھ گیس پائپ لائن سے منسلک کیا جائے گا۔ قصور کے



قریب سوئی ناردرن گیس پائپ لائن کے نیٹ ورک کو آگے کی فراہمی کے لئے دوسرے مرحلے میں گوادر پائپ لائن کی گیس ٹرانسمیشن کی گنجائش کو ایرانی گیس کے دستیاب ہونے کے ساتھ 1500 ایم ایم سی ایف ڈی تک بڑھایا جائے گا۔
دوسرے آپشن کے تحت پٹرولیم ڈویژن شمالی جنوب گیس پائپ لائن منصوبے کو ایک اسٹینڈرڈ پروجیکٹ سمجھا جانے کی صورت میں مرحلہ اور صلاحیت کے استعمال کے لئے منظوری حاصل کرے گا، جو تیسرے تحت کراچی بندرگاہ میں آئندہ نجی شعبے کے ایل این جی ٹرمینلز کے ساتھ منسلک ہوگا۔ پارٹی تک رسائی کے قواعد۔

ہمارے پاس آنے والے سالوں کے لئے پرامید ہے۔ توقع کی جارہی ہے کہ ہماری مصنوعات کی مقامی طلب میں گیس کی فراہمی بڑھانا حکومت کے ارادے سے ہے چاہے وہ TAPI گیس پائپ لائن کے ذریعہ وسطی ایشیاء سے پاکستان اور ہندوستان تک یا تھر کوئلے کے ذریعہ یا کوئی قدرتی گیس درآمد کریں یا ایل این جی یا دیگر۔ ہمارے ہموار پائپوں کی مانگ پر مثبت اثر پڑتا ہے۔ حکومت نے کراچی سے لاہور تک ایل این جی پائپ لائن بچھانے کا کام شروع کیا ہے، جس کی تخمینہ لاگت 64.9 بلین روپے ہے۔ گوادر نواب شاہ ایل این جی پائپ لائن پروجیکٹ 700 کلومیٹر کی جگہ پر دونوں درآمد شدہ ایل این جی کے ساتھ دیسی گیس کی فراہمی کے لئے ایران اور پاکستان (آئی پی) گیس پائپ لائن منصوبے کی تلاش کے ساتھ 64.9 ارب ڈالر۔ آئی پی پائپ لائن ایران کے جنوبی میدان کی تشکیل نواب شاہ سے اختتام پذیر ہوگی اور اس کا فاصلہ 1931 کلومیٹر تک ہوگا اور اس میں سے تقریباً 781.78 کلومیٹر پاکستان کی طرف ہوگا۔ اس کے علاوہ چین نے پاکستان کے آئل اینڈ گیس سیکشن میں سرمایہ کاری کرنے پر اتفاق کیا ہے اور اس سیکٹر میں پاکستان آنے کے لئے اوڈی جی، سی ایل کے ساتھ معاہدہ کیا ہے اور ملک کے گیس کے ذخائر کو سوراخ کرنے اور اسے ترقی دینے میں اربوں کی سرمایہ کاری کرنے کا معاہدہ کیا ہے۔
کمپنی کو امید ہے کہ لائن پائپ کوئنگو کی مانگ میں اضافہ کے ساتھ آئندہ سال میں ہموار پائپوں کی مانگ آہستہ آہستہ بڑھے گی۔ ہمیں امید ہے کہ کاروباری سرگرمیوں میں اضافہ ہوگا۔

کمپنی کی انتظامیہ اپنے موجودہ عملوں کی صلاحیت کے استعمال کو بہتر بنانے کے لئے پوری کوشش کر رہی ہے۔ ہم بہتر معیار کے عمل کو عقلی بنانے کے ذریعہ اپنی داخلی آپریشنل ایلیمینٹوں پر بھی زور دے رہے ہیں۔ مسابقتی قیمت پر مواد کو حاصل کرنے اور کاروبار کرنے کی لاگت کو کم کرنے کی تمام کوششیں کر رہے ہیں۔

متعلقین

ہمارے طویل مدتی مقاصد کو پورا کرنے کے لئے صارفین کے لئے اطمینان ضروری ہے۔ ہم ان کے تعاون کے لئے اپنے صارفین کا شکریہ ادا کرنا چاہتے ہیں اور ان کی مسلسل حمایت کے لئے بھی جانتا ہے، جو کمپنی کی کامیابی کی کلیدی کردار ادا کرتے ہیں۔
ہمارے ملازمین نے اچھے نتائج کو فروغ دینے میں بہت اہم کردار ادا کیا ہے اور ان کی کوششیں مسلسل جاری ہیں۔ ہماری طویل مدتی ترقی ان کے مسلسل عزم کے نتیجے میں ممکن ہو سکتی ہے، جس نے کمپنی کے لئے ایک بنیاد بنائی ہے۔ ہم ڈائریکٹروں کی جانب سے خوشی کے ساتھ اس تعریف کو ریکارڈ پر لاتے ہیں۔

:

حافظ عبدالمجید
چیف ایگزیکٹو

کراچی: 09 جون 2021ء



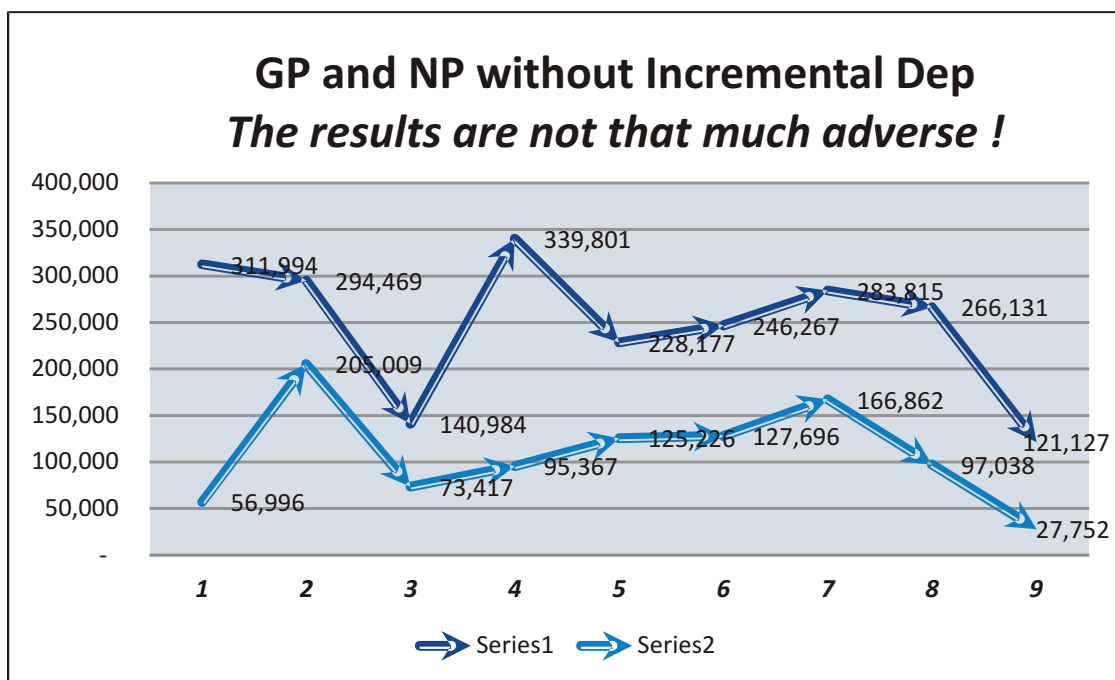
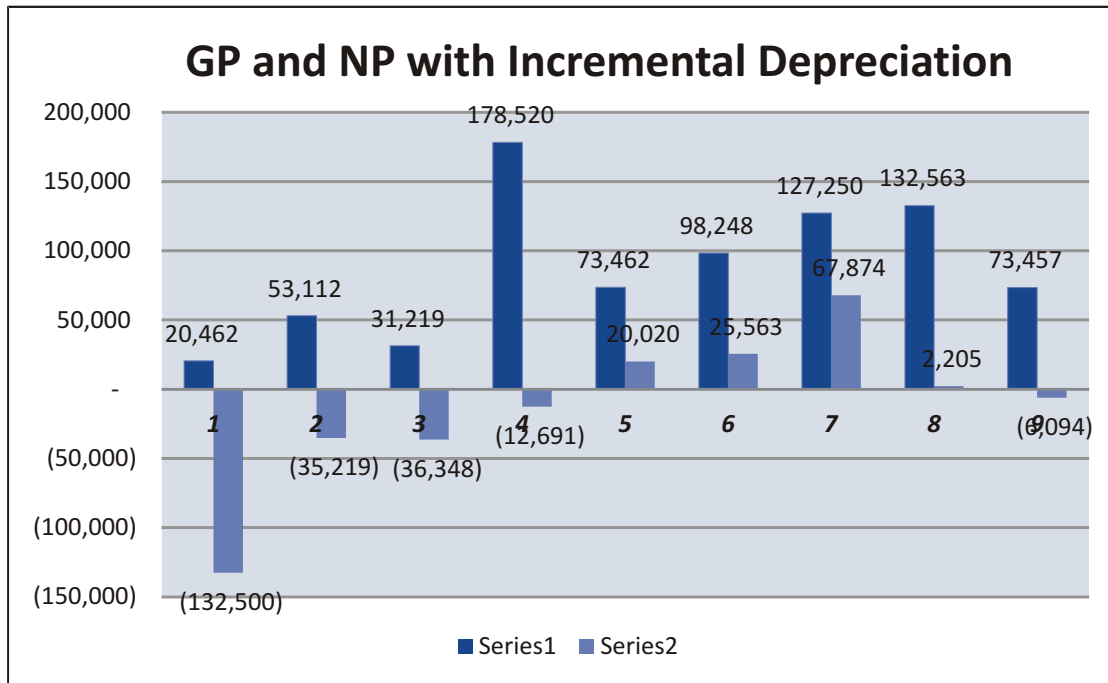
Decade at a Glance

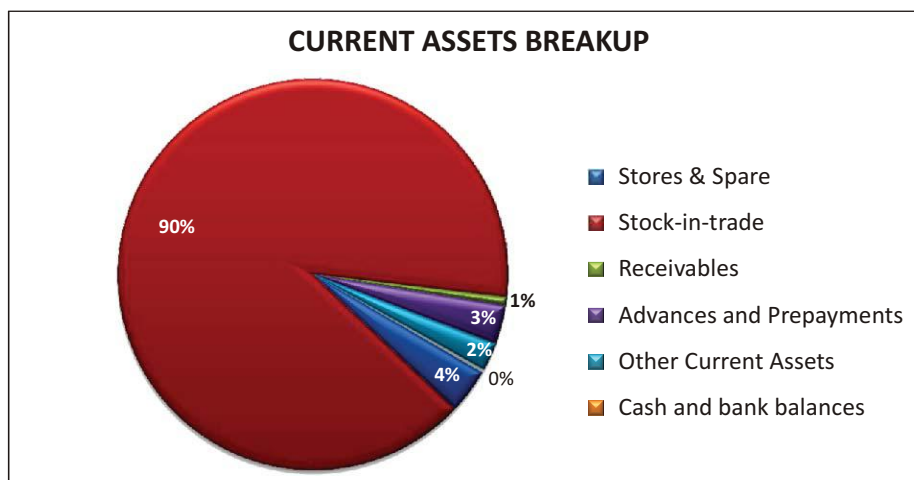
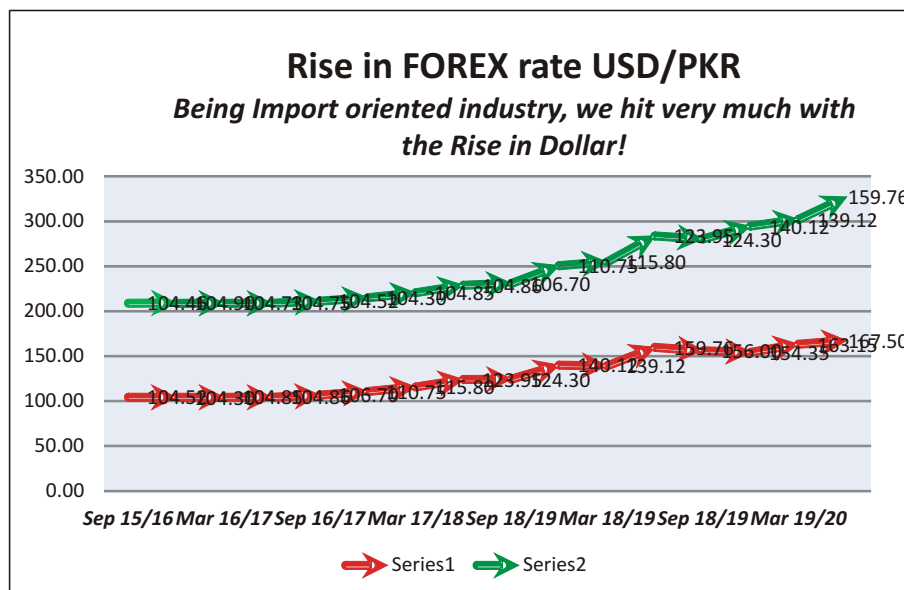
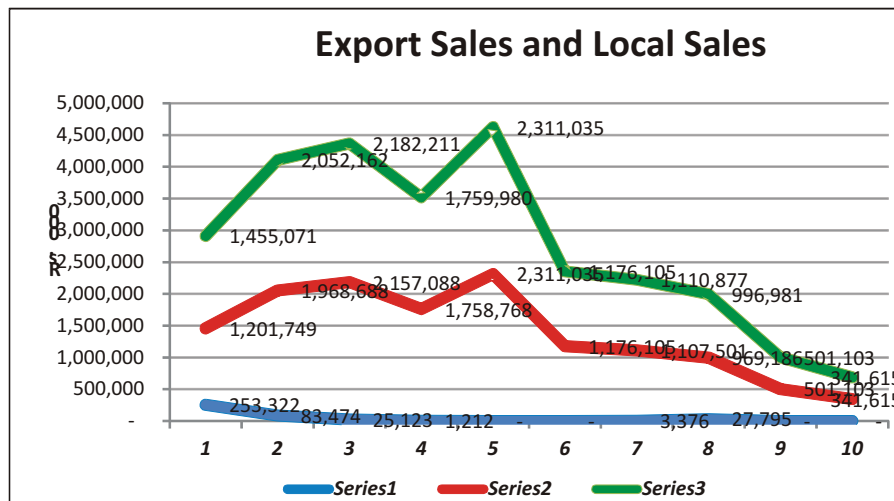
PRODUCT: SEAMLESS STEEL PIPES ANS TUBES Location of H/O: Karachi Location of Plant Nooriabad CEO: Hafiz Abdul Majid		Year Ended									
		30 June 2020	30 June 2019	30 June 2018 Restated	30 June 2017 Restated	30 June 2016	30 June 2015	30 June 2014 Restated	30 June 2013	30 June 2012	30 June 2011
		Rs. '000'									
Balance sheet data	Cash	4,576	10,428	40,951	68,147	104,273	5,787	88,962	215,216	29,190	31,601
	Receivables	31,357	59,489	103,498	120,818	88,656	421,027	102,396	179,542	127,693	191,980
	Stores & spares	65,058	71,583	72,984	78,829	81,376	97,521	73,966	83,546	69,809	47,686
	Inventory	1,582,744	1,470,640	1,211,228	1,272,776	1,258,474	901,281	901,521	489,369	1,152,216	746,597
	Other current assets	78,433	130,668	163,820	198,590	173,386	73,981	111,773	163,789	99,473	176,758
	Non-current assets	5,890,664	5,329,339	5,451,475	5,474,377	5,643,169	5,770,570	5,970,919	6,158,807	6,532,584	4,998,612
	Total assets	7,652,832	7,072,147	7,043,956	7,213,537	7,349,334	7,270,167	7,249,537	7,290,269	8,010,965	6,193,234
	Account payables	733,241	758,607	697,659	830,775	1,095,193	1,090,016	938,391	845,729	1,193,299	971,110
	Other current liabilities	—	619	40,671	179,228	861	1,551	68,675	88,512	261,090	119,187
	Long term liability	1,254,289	1,175,302	1,183,738	1,295,652	1,351,867	1,428,619	1,670,859	1,744,904	1,907,649	1,413,146
	Surplus on revaluation of land & building	3,468,318	2,997,349	3,092,182	3,241,684	3,343,817	3,391,585	3,328,901	3,438,666	3,680,023	2,700,086
	Sponsors loan	82,746	83,180	65,636	63,957	79,222	15,074	—	—	—	—
	Paid-up capital	554,844	554,844	554,844	554,844	554,844	554,844	554,844	554,844	554,844	554,844
	Share Premium	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437
	Retained earning/ (loss)	1,409,957	1,352,809	1,259,790	897,960	774,093	639,041	538,430	468,177	264,623	285,424
	Reserves	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	Total equity & liabilities	7,652,832	7,072,147	7,043,956	7,213,537	7,349,334	7,270,167	7,249,537	7,290,269	8,010,965	6,193,234
Income statement data	Net Sale	341,615	501,103	854,804	946,616	1,002,394	1,973,972	1,518,120	2,182,211	2,052,162	1,455,071
	Cost of goods sold	268,158	368,540	727,554	848,368	928,932	1,759,452	1,486,901	2,129,099	2,031,700	1,368,619
	Gross profit	73,457	132,563	127,250	98,248	73,462	178,520	31,219	53,112	20,462	86,452
	Administration, selling & Other expenses	62,389	92,248	70,829	51,922	37,022	199,905	51,793	96,186	145,740	50,113
	Operating Profit or Loss (EBIT)	24,147	81,485	56,421	46,326	36,440	(21,385)	(20,574)	(43,074)	(125,278)	36,339
	Financial charges	33,622	48,577	41,722	23,984	32,053	37,117	34,330	58,431	76,490	74,805
	EBT	(9,475)	32,908	14,699	22,342	4,387	(58,502)	(54,904)	(101,505)	(201,768)	(38,466)
	Taxation	(3,381)	30,703	53,175	3,221	15,633	45,811	(18,556)	(66,286)	(69,268)	(19,966)
	Net profit (PAT)	(6,094)	2,205	67,874	25,563	20,020	(12,691)	(36,348)	(35,219)	(132,500)	(18,500)
Liquidity	Depreciation and Amortization	67,369	175,574	184,545	193,677	202,492	211,126	220,088	460,766	386,882	395,416
	Cash flow from operation	35,326	161,467	130,865	(154,881)	44,134	(9,063)	(58,946)	537,076	62,828	436,031
	Net working capital	1,028,927	983,582	854,151	729,158	610,111	408,030	271,552	197,221	23,992	104,325
	Current ratio	2.40	2.30	2.16	1.72	1.56	1.37	1.27	1.21	1.02	1.10
	Quick ratio	0.16	0.26	0.42	0.38	0.33	0.46	0.30	0.60	0.18	0.37
	Payable/recivable	6.68	3.99	2.76	3.16	4.18	2.21	4.70	2.72	6.40	2.96
Activity	Cash flow/ total debt	1.71%	8.00%	6.58%	-6.54%	1.75%	-0.36%	-2.20%	20.05%	1.87%	17.42%
	Inventory age (days)	2,154	1,457	608	548	494	187	221	84	207	199
	Collection period (days)	34	43	44	47	32	78	25	30	23	48
	Operating assets turnover	0.06	0.09	0.16	0.17	0.18	0.34	0.25	0.35	0.31	0.29
	Gross profit margin	22%	26%	15%	10%	7%	9%	2%	2%	1%	6%
Profitability	Net profit margin	-2%	0%	8%	3%	2%	-1%	-2%	-2%	-6%	-1%
	Return on capital	-0.2%	0.1%	2.1%	0.9%	0.7%	-0.5%	-1.3%	-1.2%	-4.7%	-0.8%
	Return on operating assets	-0.1%	0.0%	1.2%	0.5%	0.4%	-0.2%	-0.6%	-0.6%	-2.0%	-0.4%
	Return on equity	0%	0%	3%	2%	1%	-1%	-3%	-3%	-14%	-2%
Per share data	Revenue per share	6	9	15	17	18	36	27	39	37	26
	Earning per share (Rs)	(0.11)	0.04	1.22	0.46	0.36	(0.23)	(0.66)	(0.63)	(2.39)	(0.33)
	Face value of share	10	10	10	10	10	10	10	10	10	10
	Break-up value per share	38	37	35	29	27	24	22	21	17	18
	Earning per break-up value of share	(0.03)	0.01	0.35	0.16	0.14	(0.09)	(0.29)	(0.30)	(1.37)	(0.19)
	Earning per share % of face value	-1%	0%	12%	5%	4%	-2%	-7%	-6%	-24%	-3%
Share trend	Earning per share % of break-up value	0%	0%	3%	2%	1%	-1%	-3%	-3%	-14%	-2%
	High stock price-at end	21.50	21.50	21.50	43.40	17.50	18.24	20.70	22.29	23.49	12.20
	Low stock price-at end	20.90	20.90	20.90	42.64	17.50	18.22	20.70	22.20	23.00	11.81
	Average stock price-at end	21.20	21.20	21.20	43.02	17.50	18.23	20.70	22	23	12
	Growth since last year (Rs)	—	—	(22)	26	(1)	(2)	(2)	(1)	11	(15)
	Growth since last Year %	0%	0%	-51%	146%	-4%	-12%	-7%	-4%	93%	-56%
Plant capacity (M.Tons)	Price earning ratio- at average price	(193.02)	533.54	17.33	93.38	48.50	(79.70)	(31.60)	(35.12)	(9.69)	(36.00)
	Seamless Tubular										
	Installed Capacity	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
	Utilized Capacity	747	2,744	5,303	7,023	8,652	12,196	10,925	13,826	13,958	13,456
	Coating of pipes and tubes										
	Installed Capacity	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Utilized Capacity	4,829	4,076	3,094	2,982	4,512	5,329	1,204	5,197	1,617	—
	Special Precision Shafting										
	Installed Capacity	—	—	—	—	—	—	—	—	—	30,000
	Utilized Capacity	—	—	—	—	—	—	—	—	—	—
	Machinery and components										
	Installed Capacity	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
	Utilized Capacity	—	—	—	—	—	—	757	455	764	463

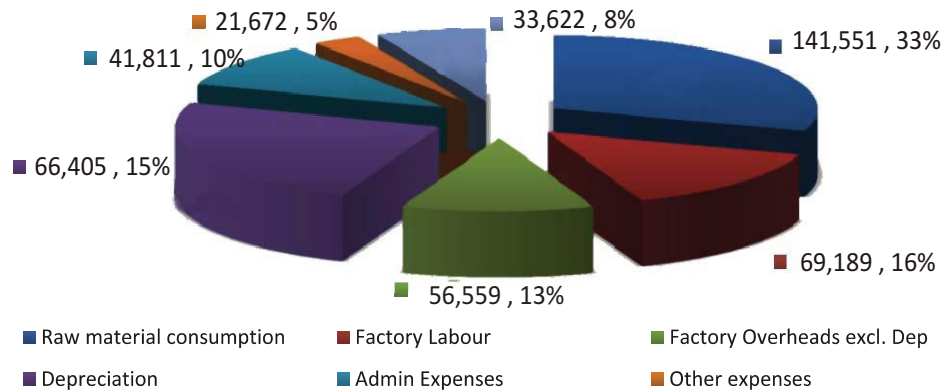
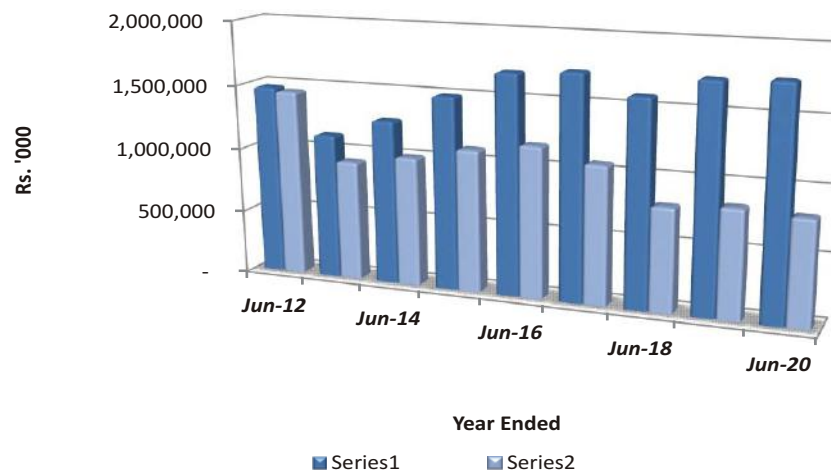




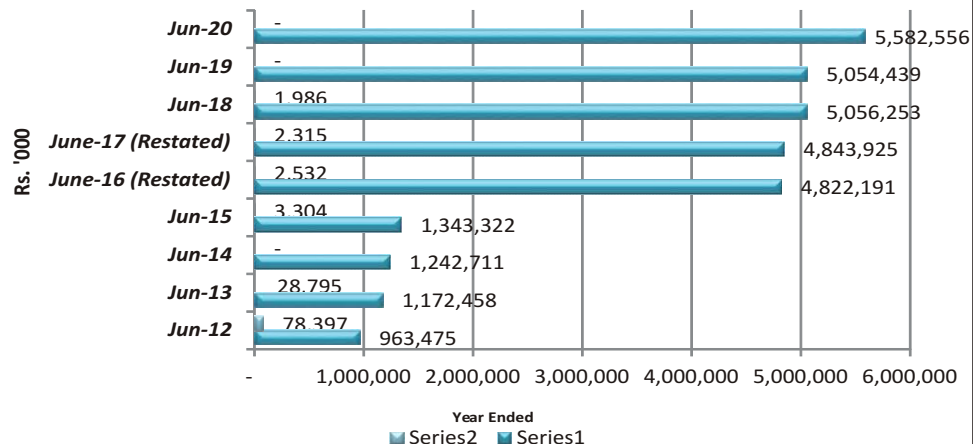
Diagrammatical Performance Review





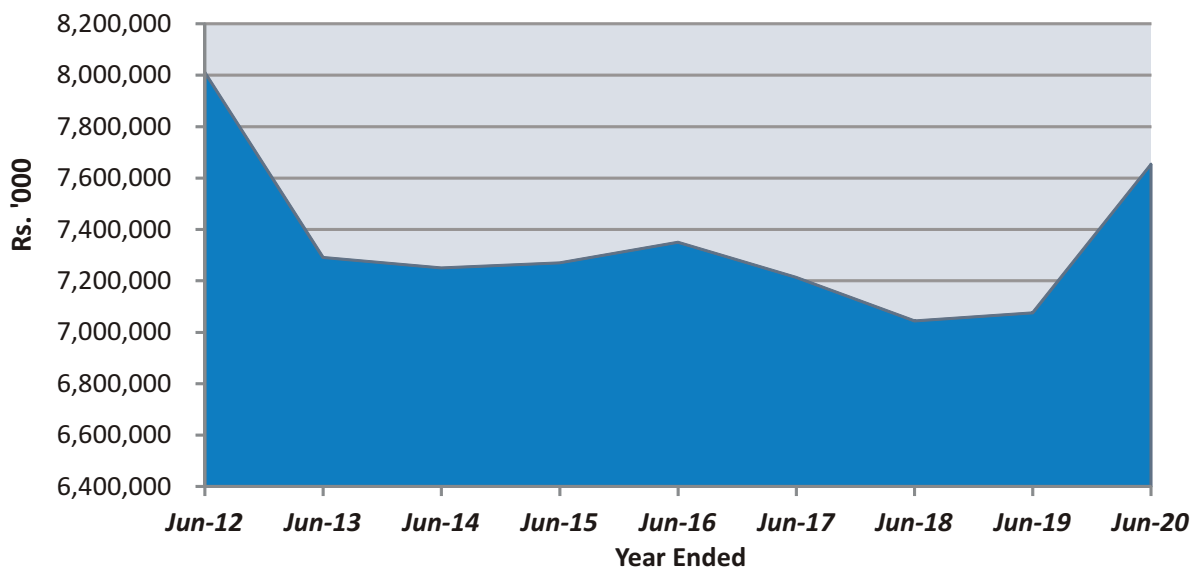
**EXPENSES BREAKUP****Current Assets Vs Current Liabilities****DEBT AND EQUITY POSITION**

Running a listed company with such a low leverage is our hallmark

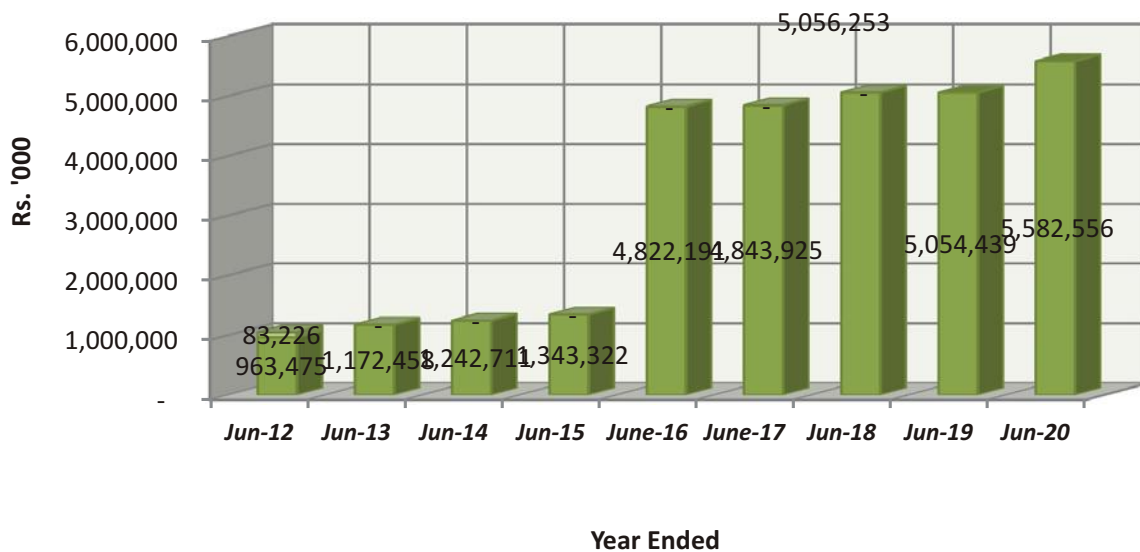




Balance Sheet Size



Shareholders' Equity



Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year Ended June 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 13 as per the following:

- Male: Twelve (12)
- Female: One (1)

2. 1. The composition of board is as follows:

CATEGORY

NAMES

- a) Independent Directors

Mr. Nasir Mahmood (Chartered Accountant)
Mr. Asghar Imam Khalid (Chartered Accountant)

- b) Other Non-executive Director

Mr. Talal Yousuf Mohamed Y. Najibi
Mr. Nabil Abdul Rahman Ahmad Arif
Mr. Fahad Abdul Aziz Eshaq
Mr. Muhammad Hafiz
Mr. Arshad Ahmed
Hafiz Abdul Waheed
Hafiz Abdul Sami
Hafiz Abdul Aleem
Mrs. Javeria Sami (Female Director)

- c) Executive Directors

Hafiz Abdul Majid (CEO)
Hafiz Abdul Haseeb

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).O/S
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board are presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board of Directors of the Company consists of eleven (13) eminent Directors, out of which five (05) Directors are already certified under the Directors Training Program as follow:
 1. Hafiz Abdul Haseeb
 2. Hafiz Abdul Sami
 3. Hafiz Abdul Aleem
 4. Mr. Nasir Mahmood
 5. Syed Asghar Imam Khalid
10. By the approval of the Board, the Company appointed Chief Financial Officer, Muhammad Anwar Khan and Company Secretary Mr. Masood Anwar. The position of Head of internal Auditor is still vacated following leaving Muhammad Musab as Head of Internal Auditor from 15 July, 2019.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;





12. The board has formed committees comprising of members given below:

a) Audit Committee

1. Mr. Nasir Mahmood	(Independent Director)	Chairman
2. Mr. Muhammad Hafiz	(Non-Executive Director)	Member
3. Mr. Arshad Ahmed	(Non-Executive Director)	Member
4. Mr. Asghar Imam Khalid	(Independent Director)	Member
5. Hafiz Abdul Sami	(Non-Executive Director)	Member

b) Human Resource and Remuneration Committee (Name of members and Chairman)

1. Mr. Muhammad Hafiz	Non-Executive Director	Chairman
2. Hafiz Abdul Majid	Chief Executive Officer)	Member
3. Mr. Arshad Ahmed	Non-Executive Director	Member
4. Hafiz Abdul Haseeb	Executive Director	Member
5. Hafiz Abdul Aleem	Non-Executive Director	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as per following:

a) Audit Committee 02 Meetings

15. The board has set up an effective internal audit function supervised by a well experienced person.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

HAFIZ ABDUL MAJID

Chief Executive Officer

Dated: Jun 09, 2021

Karachi:





H.A.M.D & Co.

Chartered Accountants

A member firm of:



McMillan Woods
Professionalism at the forefront

McMillan Woods Global Limited

www.mcmillanwoods.com

INDEPENDENT AUDITOR'S REVIEW REPORT on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Huffaz Seamless Pipe Industries Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks. The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, except for the matters given a-c below, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020:

- a) As required by The CCG Regulation 20 & 22, the office of the CFO continued to be remained vacant in the current period as well. In addition, there was no Finance Manager in the company. In their absences the CEO of the company overseen the activities of these senior management position in the company. However, subsequently CFO and Finance Manager have been appointed;
- b) As required by The CCG Regulation 20, 23 & 31, the office of Internal Auditor of the company remained vacant and no internal audit activities were performed in the company; and
- c) As required by The CCG Regulation 25 Quarterly Financial Statements up to the period ended 2020 have been uploaded on the website of the company. However, Half Yearly Financial Statement were not issued for the half year ended December 31, 2019 and December 31, 2020 due to the affect face by the company of Covid-19 as stated in Note # 2 of Financial Statement.

H.A.M.D. Le

Chartered Accountants

Karachi

Date: June 9, 2021

Head Office Karachi:

302 Land Mark Plaza, MohammedBin
Qasim Road, Off I. I. Chundrigarh Road,
Karachi-74200, Pakistan.

Tel: +92-21-32630651 & 37099840

Fax: +92-21-35872521

Email: dawson5152@gmail.com

hamd.com.ca@gmail.com

Islamabad Office:

Suite No. 202, 2nd Floor, Royal Center,
Fazal-e-Haq Road, Near Old Stock
Exchange Building, Islamabad, Pakistan.

Ph: +92-51-2806181-82

Fax: +92-51-2806182

Email: asif@argroup.com.pmk

Lahore Office:

Office No. 1, 2nd Floor, Diamond Tower,
Opposite Capri Cinema, Liberty Market,
Lahore, Pakistan.

Tel: +92-42-35784200-201

Fax: +92 42 35784202

Email: waseem@hamdca.com

**H.A.M.D & Co.****Chartered Accountants**

A member firm of:

**McMillan Woods**
Professionalism at the forefront**McMillan Woods Global Limited**

www.mcmillanwoods.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

OPINION

We have audited the annexed financial statements of **Huffaz Seamless Pipe Industries Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we stated that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and Management Accountants (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER(S)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

How the matter was addressed in our audit

S. #	KEY AUDIT MATTER(S)	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
01.	Property, Plant & Equipment	
1.1	Revaluation Land, Factory Building (including Coating Sheds) & Plant & Machinery have been revalued on June 30 2020. The revaluation exercise was carried out by M/S K.G Traders listed on the panel of valuers maintained by The State Bank of Pakistan. The revaluation exercise resulted in a revaluation surplus over book values of these assets aggregated to RS 624 million.	<ul style="list-style-type: none"> We have reviewed the revaluation report and discuss with the management the procedures and methods applied by the valuer in carrying out the valuation exercise; We have reviewed the website of the valuer "www.KGtraders.com" to understand the professional competency and capacity of the valuer; We have recomputed book values at June 30 2020 and compared to the valuation amount and computed the resulting surplus on revaluation RS 624 million We have ensured surplus on revaluation and corresponding Deferred tax properly disclosed in the financial statement in the year ended June 30 2020 In conclusion no reportable issue aroused, Property Plant & equipment and Surplus on Revaluation are fairly stated in the financial statement

Head Office Karachi:

302 Land Mark Plaza, Mohammed Bin Qasim Road, Off I. I. Chundrigarh Road, Karachi-74200, Pakistan.
Tel: +92-21-32630651 & 37099840
Fax: +92-21-35872521
Email: dawson5152@gmail.com
hamd.com.ca@gmail.com

Islamabad Office:

Suite No. 202, 2nd Floor, Royal Center, Fazal-e-Haq Road, Near Old Stock Exchange Building, Islamabad, Pakistan.
Ph: +92-51-2806181-82
Fax: +92-51-2806182
Email: asif@argroup.com.pmk

Lahore Office:

Office No. 1, 2nd Floor, Diamond Tower, Opposite Capri Cinema, Liberty Market, Lahore, Pakistan.
Tel: +92-42-35784200-201
Fax: +92 42 35784202
Email: waseem@hamdca.com



S. #	KEY AUDIT MATTER(S)	HOW THE MATER WAS ADDRESSED IN OUR AUDIT
1.2	<p>Revision of Useful' Lives</p> <p>As stated in Note 4 S.4 to the annexed Financial Statement useful lives of factory building and Plant & Machinery have been revised by the management of the company. The objective of revision was to bring useful life and its recording in line with the physical conditions of the assets and economic benefits derive from the use of the assets. On the revised basis, depreciation for the year has been provided for Rs 65 million. Had a revision not made, the depreciation charge would be Rs 167 million i.e., Higher by Rs 102 million with the corresponding decrease in the gross profit and increase in the loss for the year under review.</p>	<ol style="list-style-type: none"> 1. We have physically examined Land, Building, Plant & Machinery. 2. We have discussed with the Plant/Financial management and the Directors of the company the basis of revision particularly history of actual production in the past 24-year period. 3. We have also discussed a confirmatory report issued by API (an American institute) about Plant maintenance and technological upgradation as well as product suitability. 4. In conclusion the revision in useful lives appears reasonable and useful lives of these assets are in line with the accounting policy stated in note # 4.1.1 of the financial statements. Consequently, no reportable issue arises and depreciation charged for the year Rs 65 million was computed in accordance with the aforesaid revised basis.
02	<p>Investment</p> <ul style="list-style-type: none"> • We draw attention to Note # 7 to the financial statements; the company holds a substantial investment of RS 241 million as at June 30, 2020 in a joint venture company, similar to the nature of activities of the company; • Investment in equity shares has been made by way of exchanging land and building previously held by the Company • The investee company did not commence business activities as planned. <p>As part of our risk assessment exercise, we considered this matter because of significance of the amounts involved and the valuation assigned, as well as commencement of operation as planned.</p>	<p>We performed the following procedures to address this risk:</p> <ul style="list-style-type: none"> • We reviewed the provision contained in the applicable joint venture agreement which forms the basis of incorporation of the new investee company and we have ensured its complines; • We reviewed the valuation report of land and building prepared by an independent valuer in the year 2017-2018 to ensure fair values were assigned to properties taken as consideration for investment in Joint Venture Company. • We discuss the matter of business activities of the investee company with the management dnd in the audit committee. It was informed that non commencement of operation was mainly on account of further activities and the investment by the joint venture partner and it is likely that operation would commence in the ensuing period. • We have also reviewed the financial statement of the investee company for the year ended June 30 2020 which reveal that no operating activities perform and there were no revenue and cost in the year 2020. • We have reviewed that"proportionate loss of the joint venture company up to the year 2019 have been recorded in company's financial statement. <p>In conclusion no issues were identified from our review as regarded the value assign to investment.</p>
03	<p>Defined benefit plan - Staff Gratuity</p> <ul style="list-style-type: none"> • We draw attention to note # 18.1 to the financial statements and • The company operates a defined benefit obligation-staff gratuity scheme for eligible employees giving rise to liabilities of RS 95 million, which is significant in the context of the overall financial position of the company. <p>The valuation of Gratuity requires judgments and technical expertise in choosing appropriate assumptions. Changes in a number of the key assumptions, including:</p> <ul style="list-style-type: none"> – Salary increases and inflation; – Discount rate; and – Mortality. <p>All assumptions can have a material impact on the calculation of the liability. The company uses external actuary M/S Noman Associates to assist in assessing these assumptions.</p>	<p>We have reviewed the website of the valuer www.naumanassociates.com to understand the professional competency and capacity of the valuer;</p> <p>We reviewed a detail valuation report prepared by actuary in the year as at June 30 2020;</p> <ul style="list-style-type: none"> • We assessed, whether assumption in calculating the Gratuity including salary increases, inflation, mortality rate and discount rate etc., were consistent with the benchmarks of national and industry data; • Management believe that the rates used fall within acceptable ranges and provision in the current period of Rs 26 million as well as experience adjustment Rs 41 million recorded in the other comprehensive income closely approximate to the employee's liability and • A complete disclosure in term of IAS 19 Employee benefit was made as was made in the previous period. <p>We also performed sample testing to agree underlying membership data to supporting human resources documentation and assessed the appropriateness of the closing liability based on known movements and assumptions.</p> <p>In conclusion no issues were identified to raise concerns over the valuation of gratuity liability</p>



S. #	KEY AUDIT MATTER(S)	HOW THE MATER WAS ADDRESSED IN OUR AUDIT
04	Trade and other Payables <ul style="list-style-type: none"> Significant liability given in notes 19.1 to the financial statement is substantial amount payable as WPPF the amount was RS 391 million in the year 2020 compare to Rs 358 million in the year 2019 and the increase in liability in both the year was mainly on account of provision for interest at applicable rates on the unpaid amount of liability in accordance with the WPPF Act 2008/201S. We focused on this area because of significant amount involve remaining unpaid in current and previous period. 	<ol style="list-style-type: none"> We reviewed the provision contain in the relevant law of WPPF Act and ensured provision of liability including interest on the unpaid balance not paid by the company; We were also provided with legal advice stating that the jurisdiction of the law shifted to provincial government from the federal government and provincial government did not issue any payment notice to the company. When notice is received appropriate legal remedy will be availed. However, Sindh Revenue Board (SRB) recently issued a circular stating that incase a payment of WPPF made within stipulated time, a liability of interest maybe reduced or waived completely or partially; and <p>We discussed with management and audit committee focusing on how the liability discharge by the company on the basis of availability of cash flow in the future period and in result we have been advised that management is determine to settle liability in the future period. In consultation with a legal advice determining amount payable to workers and the government.</p>
05	Sales <ul style="list-style-type: none"> Sales in the current period was RS 342 million compare to RS 501 million in the previous year showing a declining sale. Since a six-ye'ar period including 2020 a declining trend was regularly observed year after year, and current period sales approximate 17.3% of the year 2015 when company sales RS 1,973 million. Vie focus this area due to significant decline in current period as well as declining trend in past 6-year period. 	<p>We discuss with management the significant decline and we have been informed that due to;</p> <ol style="list-style-type: none"> Due to impact of Covid-19 as stated in Note # 2 to the financial statement company's operating activities have been decline in the current period when compared to the previous year; The effects of taxation company's pricing structure made difficult to increase the sales volume, and, the industry generally effected by the same pricing issues. Management also informed that in subsequent period, the effect of taxation minimize by the government and the company would be able to increase sales volume. <ul style="list-style-type: none"> We have also reviewed the directors report of the current year period; We have tested representative samples of sales item and ensured completeness, validity and cutoff and confirm that no understatement of sale in the period under review. <p>In conclusion no issues were identified from our review as regarded to sales amount.</p>

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information in the annual report including, in particular Financial Summary, Company's Overview, Director's Report, Financial and Business Highlights, Diagrammatical Performance review including Graphic presentation, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENT

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of



accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and these are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the Disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the board of directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- (a) Proper book of accounts has been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

H.A.M.D. Le

Chartered Accountants
Karachi

Dated: June 9, 2021

STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

ASSETS	Note	30 June 2020	30 June 2019
Non-Current Assets		..... (Rupees in '000)	
Property, plant and equipment	5	5,642,259	5,080,282
Long term deposits	6	6,936	6,936
Investment	7	241,469	242,121
		5,890,664	5,329,339
Current Assets			
Stores and spares	8	65,058	71,583
Stock-in-trade	9	1,582,744	1,470,640
Trade debts	10	11,862	71,201
Loan and advances	11	25,708	28,950
Trade deposits	12	31,357	59,489
Other receivables	13	37,881	33,479
Advance tax - net of provision	14	2,982	—
Cash and bank balances	15	4,576	10,428
		1,762,168	1,745,770
TOTAL ASSETS		7,652,832	7,075,109
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share Capital	16	554,844	554,844
Share premium		109,437	109,437
Surplus on revaluation of property, plant and equipment	17	3,468,318	2,997,349
General reserves		40,000	40,000
Unappropriated profit		1,409,957	1,352,809
Total equity		5,582,556	5,054,439
Non-Current Liabilities			
Deferred liabilities	18	1,254,289	1,175,302
		1,254,289	1,175,302
Current Liabilities			
Trade and other payables	19	733,241	758,607
Short term advances from Sponsors/Directors	20	82,746	83,180
Current portion of non-current liabilities	21	—	619
Advance tax - net of provision	14	—	2,962
		815,987	845,368
Contingencies and commitments	22		
TOTAL EQUITY AND LIABILITIES		7,652,832	7,075,109

The annexed notes from 1 to 40 form an integral part of these financial statements.


Hafiz Abdul Majid
 Chief Executive


Asghar Imam Khalid
 Director


Muhammad Anwar Khan
 Chief Financial Officer



STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	30 June 2020 (Rupees in '000)	30 June 2019 (Rupees in '000)
Revenue from contract with customers (Net)	23	341,615	501,103
Cost of revenue from contract with customers	24	(268,158)	(368,540)
Gross Profit		<u>73,457</u>	<u>132,563</u>
Selling and distribution cost	25	(16,825)	(13,929)
Administrative expenses	26	(41,811)	(71,880)
		<u>(58,636)</u>	<u>(85,809)</u>
		<u>14,821</u>	<u>46,754</u>
Other operating charges	27	(3,753)	(6,439)
Other operating income	28	13,079	41,170
		<u>24,147</u>	<u>81,485</u>
Finance cost	29	(33,622)	(48,577)
Profit / (loss) before taxation		<u>(9,475)</u>	<u>32,908</u>
Taxation	30	3,381	(30,703)
Profit / (loss) after taxation		<u><u>(6,094)</u></u>	<u><u>2,205</u></u>
		..... (Rupees in '000) .....	..... (Rupees in '000)
(Loss) /Earnings per share - basic and diluted (Rupees)	31	<u><u>(0.11)</u></u>	<u><u>0.04</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.


Hafiz Abdul Majid
 Chief Executive


Asghar Imam Khalid
 Director


Muhammad Anwar Khan
 Chief Financial Officer



STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	30 June 2020 (Rupees in '000)	30 June 2019 (Rupees in '000)
Profit / (loss) before taxation		(6,094)	2,205
Other comprehensive income		—	—
Items that will not be reclassified subsequently to profit and loss account			
— Remeasurement of defined benefit obligation	18.1.5	41,403	(5,660)
— Impact of tax		(12,007)	1,642
		29,396	(4,019)
Total comprehensive Income / (Loss) for the year		23,302	(1,814)

The annexed notes from 1 to 40 form an integral part of these financial statements.



Hafiz Abdul Majid
Chief Executive



Asghar Imam Khalid
Director



Muhammad Anwar Khan
Chief Financial Officer



STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	30 June 2020	30 June 2019
		..... (Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(9,475)	32,908
Adjustments for:			
Depreciation		67,369	177,369
Loss of investment in Subsidiary		—	1,232
Provision of Finance costs		—	48,577
Bad debts written off		—	—
Workers' profit participation fund		—	1,967
Workers' Welfare Fund		—	4,472
Provision for Leave encashment		—	—
Foreign Exchange Loss		—	—
Provision of Staff gratuity		25,647	16,999
		93,016	250,616
Operating profit before working capital changes		83,541	283,524
Changes in working capital	32	(46,378)	(160,363)
Decrease / (increase) in current assets		37,163	123,162
Finance costs paid		—	(14,192)
Leave encashment paid		—	—
Gratuity paid		(23,943)	(2,442)
Workers' Welfare Fund		—	(4,144)
Taxes paid		(13,508)	(21,419)
		(37,451)	(42,197)
Net cash generated from operating activities		(288)	80,965
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(4,511)	(56,299)
Net cash (used) from investing activities		(4,511)	(56,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long Term Financing-Secured		(619)	(2,509)
Short term borrowings		—	(35,029)
Short term Sponsors' advances received / (paid)		(434)	17,544
Net cash (used) / generated from financing activities		(1,053)	(19,994)
Net increase in cash & cash equivalent		(5,852)	4,506
Cash and cash equivalents at beginning of the year		10,428	5,922
Cash and cash equivalent at end of the year	33	4,576	10,428
Cash and Bank balances		4,576	40,951
Short term borrowings		—	(35,029)
		4,576	5,922

The annexed notes from 1 to 40 form an integral part of these financial statements.


Hafiz Abdul Majid
 Chief Executive


Asghar Imam Khalid
 Director


Muhammad Anwar Khan
 Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY**

For the year ended June 30, 2020

	Issued, subscribed and paid-up capital	Share premium	Revenue reserve	Revaluation Surplus	Unappropriated profit	Total
	Rs. '000'					
Balance as at 01 July 2019	554,844	109,437	40,000	3,092,182	1,259,790	5,056,253
Total comprehensive income for the period						
Profit for the year ended June 30, 2019	—	—	—	—	2,205	2,205
Other comprehensive income	—	—	—	—	(4,019)	(4,019)
Total comprehensive income for the year	—	—	—	—	(1,814)	(1,814)
Transfer from surplus on property, plant and equipment - net of deferred tax	—	—	—	(94,833)	94,833	—
Balance as at 30 June, 2019	554,844	109,437	40,000	2,997,349	1,352,809	5,054,439
Balance as at 01 July 2019	554,844	109,437	40,000	2,997,349	1,352,809	5,054,439
Total comprehensive income for the period						
Loss for the year ended June 30, 2020	—	—	—	—	(6,094)	(6,094)
Other comprehensive income	—	—	—	—	29,396	29,396
Total comprehensive income for the year	—	—	—	—	23,302	23,302
Surplus on Revaluation - net of deferred tax	—	—	—	504,815	—	504,815
Transfer from surplus on property, plant and equipment - net of deferred tax	—	—	—	(33,846)	33,846	—
Balance as at 30 June, 2020	554,844	109,437	40,000	3,468,318	1,409,957	5,582,556

The annexed notes from 1 to 40 form an integral part of these financial statements.

Hafiz Abdul Majid
Chief Executive**Asghar Imam Khalid**
Director**Muhammad Anwar Khan**
Chief Financial Officer



NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

1. STATUS AND NATURE OF BUSINESS

- 1.1** Huffaz Seamless Pipe Industries Limited ("the Company") was incorporated in Pakistan on October 9, 1983 as a public company limited by shares. The shares of the Company are quoted on Pakistan Stock Exchange (PSX) (formerly divided into KSE & LSE). The principal objective and business of the Company is manufacturing and selling of seamless steel pipes and tubes (tubular products). The Company also has a coating facility capable of applying three layer high density polyethylene coating, polypropylene coating and tape coating on steel pipes. The registered office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi and the factory of the Company is located at Nooriabad, District Jamshoro, Sindh province.
- 1.2** These are stand alone financial statements of Huffaz Seamless Pipe Industries Limited. Consolidated financial statement have not been prepared by the Company as disclosed in note-7

2 EFFECTS OF COVID 19 & GOING CONCERN

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, factories, head offices and sub-offices have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Due to the effects of COVID-19 pandemic, as stated above, the State Bank of Pakistan (SBP) took various measures to support the economy. As a part of it, SBP introduced a refinance scheme and relief package for deferment of principal payments of the long-term loans and finances.

The Company's factory and offices have remained closed due to lockdown in the last quarter of the year. Some of the staff of the company at factory and in office have been declared positive for COVID-19 and few of senior/junior staff also lost their life as well. Plant and Head Office of the company remained stand still in the Lockdown period and no production was made and no sale activity was made in the lockdown period, furthermore the plant could not operate uptill February 2021.

On the other hand the management have also taken preventive measures to safeguard against colossal damages. Management has also followed a strategy of cost reduction in the year as a result both the production, selling and administrative cost have been reduced to a significant extent. The management of the company have also been working on a plan of action to improve the future operations of the company as well as improvement in the financial resources of the company without availing the SBP facilities as stated above. Management have evaluated the future outlook and believe that it would be able to operate as a "Going Concern" for a foreseeable future period.

3. BASIS OF PREPARATION

3.1 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 as applicable in Pakistan comprise of:

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

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



**3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that:

- the obligations under employees' defined benefit plan which are measured at present value of defined benefits less fair value of plan assets; and
- the leasehold land, factory building, plant and machinery and coating sheds are stated at fair values which are determined by the independent valuer.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3.4 New or amendments / interpretations to existing standards, interpretation and forthcoming requirements.

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than disclosed in note 4.1. These are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

3.4.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.



- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity’s right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

3.4.2 Annual Improvements to IFRS Standards 2018-2020 Cycle

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the ‘10 per cent’ test in paragraph 83.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.



- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

3.5.1 Property, plant and equipment - carrying value Rs 5,642.259 million

Note 5

The Company's management reviews the rates of depreciation / estimated useful lives used in the calculation of depreciation charge for its property, plant and equipment and the value of the assets for possible impairment at each financial year end. Further, the Company estimates revalued amounts and useful lives of leasehold land, factory building, plant and machinery and coating sheds based on the periodic valuations carried out by independent professional valuer. Any change in estimate in future might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge, impairment, surplus on revaluation and annual transfer of incremental depreciation from surplus on revaluation of property, plant and equipment account to unappropriated profit together with any tax effect. **The effect of change in revision in usefull life as well as revaluation has been disclosed in Note 5.**

3.5.2 Investments - carrying value Rs 241.469 million

Note 7

Investment in Joint Venture is stated under equity method of accounting, Details of the company's investment are stated in Note 7 to the financial statements.

3.5.3 Stock-in-trade and stores and spares - carrying value Rs 1,648.802 million

Note 8

The Company at each balance sheet date reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in their respective carrying values. Any change in estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding effect on the profit and loss account of those future years.

3.5.4 Trade debts and other receivables - carrying value Rs 49.743 million

Note 9

The Company reviews its doubtful trade debts and other receivables at each balance sheet date to assess the adequacy of provision there against (if any). In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.



**3.5.5 Employee benefits - carrying value Rs 94.725 million****Note 18.1.2**

The liabilities relating to defined benefit plan - staff gratuity are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 18 to these financial statements.

The liability related to compensated absences is determined by the management based on entitlement of absences of employees.

3.5.6 Taxation - carrying value Rs 1,264.362 million**Note 18.2**

In making estimate for income tax payable by the Company, the Company takes into account the applicable tax laws. Deferred tax asset is recognized for all unused tax losses and available credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilized. Significant judgment is exercised to determine the amount of deferred tax asset to be recognized.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, as those applied in the preparation of financial statements of the Company for the year ended June 30, 2019 and are enumerated as follows:

4.1 Property, plant and equipment**4.1.1 Owned assets**

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment (except leasehold land, factory building, plant and machinery and coating sheds) are stated at cost less accumulated depreciation and impairment losses, if any. Factory building, plant and machinery and coating sheds are stated at revalued amount less accumulated depreciation and impairment losses, if any, whereas leasehold land is stated at revalued amount less impairment loss, if any. The value assigned to leasehold land is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged on reducing balance method at rates specified in note 5.1. Depreciation on addition is charged from the month the asset is available for use while no depreciation is charged in the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date. Change in estimation of useful life has been disclosed in Note 5.





Surplus on revaluation of leasehold land, factory building, plant and machinery and coating sheds is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the estimated fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized. When revalued assets are disposed off, any related amount included in the revaluation surplus is transferred to retained earnings.

4.1.2 Capital work-in-progress

These are stated at cost less impairment, if any, and consist of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. The assets are transferred to relevant category of property, plant and equipment when they are available for intended use.

4.2 Investment

Investment in joint venture is accounted for in accordance with the joint venture agreement as well as provisions of IAS-31 Accounting for Joint Venture. The Company uses equity method of accounting where by its proportionate share of income/loss of JV company on the basis of latest available financial statement.

4.3 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

4.4 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined under the weighted average basis. Cost of work-in-process and finished goods consists of direct materials, labour and applicable production overheads. Net realizable value signifies the estimated selling price in the ordinary course of the business less estimated cost of completion and selling expenses.

Items in transit are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

Scrap inventory is valued at estimated realizable value.

4.5 Trade debts and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.6 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period one year of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.





The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and current service cost are recognized in profit and loss account. The most recent valuation of the scheme was carried out as at June 30, 2020. Details of the scheme are given in note 18.1 of these financial statements.

4.7 Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increases their entitlement to future compensated absences.

4.8 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

4.9 Markup bearing borrowings

Loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs, if any. Subsequently, these are measured at amortized cost using the effective markup rate method.

4.10 Revenue recognition

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, the company's performance obligation is complete as soon as goods are delivered with normal credit term of 30 to 90 days which may be extended due to abnormal conditions such as Covid 19 in the current year. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Sales of Goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of goods with normal credit term of 30 to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Scrap / wastage sales accounted when invoice accompanied by actual delivery and collection.

4.11 Taxation

Income Tax expenses comprises current and deferred tax. Income Tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account the available tax credits and tax rebates, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalized (if any) during the year.



**Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognized on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company also recognizes deferred tax liability on surplus on revaluation of property, plant and equipment in accordance with the requirements of International Accounting Standard 12 'Income Taxes'.

4.12 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred using the effective interest rate method except those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

4.13 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances. Short-term borrowing / running finances that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flow statement.

4.15 Foreign currency translations

Transactions in foreign currencies are initially accounted for in Pakistan Rupees at the foreign exchange rates prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange differences are included in the profit and loss account.

4.16 Financial instruments**4.16.1 Initial measurement of financial asset**

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement**Debt Investments at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.



Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the statement of profit or loss.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

4.16.2 Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.16.2.1 Trade debts, advances and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.16.2.2 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

4.16.3 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.



4.16.3.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the relevant asset.

4.16.3.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

4.17 Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate, when applicable. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Whenever considered necessary, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



**4.18 Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Previous Policy

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provision of instruments. Non-derivative financial assets comprises loans and receivables that





are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, cash and cash equivalent. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of the financial assets or liabilities is taken to profit and loss account.

4.19 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.20 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its products (i.e. production of seamless pipes and coating) separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved by the members and board of directors.

4.23 Earnings per share basic and diluted

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



5. PROPERTY, PLANT AND EQUIPMENT

 Operating fixed assets
 Capital work-in-progress

Note

**30 June
2020**
**30 June
2019**

..... (Rupees in '000)

 5.1 **5,585,473** 5,028,007

 5.5 **56,786** 52,275

5,642,259 **5,080,282**
5.1 Operating fixed assets
30 June 2020

31 June 2020											
	C O S T / R E V A L U A T I O N					D E P R E C I A T I O N				Book	R
Particulars	As at 1 - July 2019	Additions/ Transfer	Disposal	Surplus on Revaluation	As at 30 June 2020	As at 1 - July 2019	Charge for the period	Disposal	As at 30 June 2020	Value as at 30 June 2020	A T E %
..... (Rupees in '000)											
Owned Assets											
Land - lease hold	850,709	—	—	213,366	1,064,075	—	—	—	—	1,064,075	0
Building - factory	1,929,362	—	—	80,990	2,010,352	347,235	27,372	—	374,607	1,635,745	1.73
Building - head office	3,792	—	—	—	3,792	3,053	74	—	3,127	665	10
Plant and machinery	3,796,105	—	—	329,503	4,125,608	1,290,022	35,586	—	1,325,608	2,800,000	1.42
Furniture and fixtures	3,239	—	—	—	3,239	2,326	92	—	2,418	821	10
Office equipment	5,400	—	—	—	5,400	3,918	148	—	4,066	1,334	10
Electric and gas appliances	27,753	—	—	—	27,753	14,658	1,309	—	15,967	11,786	10
Air conditioners	1,813	1	—	—	1,814	1,280	53	—	1,333	481	10
Drawings and survey equipment	363	—	—	—	363	353	1	—	354	9	10
Motor vehicles	37,193	—	—	—	37,193	34,107	422	—	34,529	2,664	20
Computer and allied equipment	9,519	—	—	—	9,519	8,345	235	—	8,580	939	20
Security weapons	1,178	—	—	—	1,178	796	38	—	834	344	10
Coating Sheds	83,132	—	—	—	83,132	16,328	1,670	—	17,998	65,134	2.50
Assets under Diminishing Musharika Financing											
Motor vehicles	5,005	1	—	—	5,006	3,161	369	—	3,530	1,476	20
	6,754,563	2	—	623,859	7,378,424	1,725,582	67,369	—	1,792,951	5,585,473	

2019

	C O S T / R E V A L U A T I O N					D E P R E C I A T I O N				Book	R
Particulars	As at 1 - July 2018	Additions/ Transfer	Adjustment	Surplus on Revaluation	As at 30 June 2019	As at 1 - July 2018	Charge for the year	On Surplus Written Back	As at 30 June 2019	Value as at 30 June 2019	A T E %
..... (Rupees in '000)											
Owned Assets											
Land - lease hold	850,709	—	—	—	850,709	—	—	—	—	850,709	0
Building - factory	1,929,356	6	—	—	1,929,362	306,668	40,567	—	347,235	1,582,127	2.5
Building - head office	3,792	—	—	—	3,792	2,971	82	—	3,053	739	10
Plant and machinery	3,796,105	—	—	—	3,796,105	1,158,123	131,899	—	1,290,022	2,506,083	5
Furniture and fixtures	3,239	—	—	—	3,239	2,225	101	—	2,326	913	10
Office equipment	5,400	—	—	—	5,400	3,753	165	—	3,918	1,482	10
Electric and gas appliances	23,803	3,950	—	—	27,753	13,203	1,455	—	14,658	13,095	10
Air conditioners	1,813	—	—	—	1,813	1,221	59	—	1,280	533	10
Drawings and survey equipment	363	—	—	—	363	352	1	—	353	10	10
Motor vehicles	36,151	68	—	—	36,219	33,578	529	—	34,107	2,112	20
Computer and allied equipment	9,519	—	—	—	9,519	8,051	294	—	8,345	1,174	20
Security weapons	1,178	—	—	—	1,178	753	43	—	796	382	10
Coating Sheds	83,132	—	—	—	83,132	14,615	1,713	—	16,328	66,804	2.5
Assets under Diminishing Musharika Financing											
Motor vehicles	5,005	—	—	—	5,005	2,700	461	—	3,161	1,844	20
	6,749,565	4,024	—	—	6,753,589	1,548,213	177,369		1,725,582	5,028,007	



**5.2 Allocation of depreciation**

Cost of revenue from contract with customers
Administrative expenses

30 June 2020	30 June 2019
..... (Rupees in '000)	
66,405	175,574
964	1,795
67,369	177,369

5.3 Revaluation of Property, Plant and equipment

The Company carries its leasehold land, factory building, plant and machinery and coating sheds at revalued amounts under IAS 16 'Property, Plant and Equipment'. The latest valuation was carried out on June 30, 2020 by M/s. K.G. Traders (Private) Limited, an independent professional valuer, on the basis of present market values which resulted in a surplus on revaluation amounting to Rs. 623.859 million.

The forced sale value of land and building as per the aforesaid revaluation report was Rs. 2,211 million.

The forced sale value of plant and machinery as per the aforesaid revaluation report was Rs. 1,960 million.

5.4 Revision in Estimates

During the year under review, management has reviewed the usefull lives of Factory building & Plant & Machinery. It was decided to revise the usefull life on the basis of the physical conditions of the assets as well as the economice benefits derive from use of these assets . Accordingly depreciation for the current and future period have been provided on the revise usefull life. Depreciation for the current period 2020 have been provided at rupees 65 million. Had a revision not made the charge for depreciation on the previous basis was rupees 167 million with the corresponding impact on profit or loss for the year.

5.4.1 Fair Value Heirarchy

Levels of fair value are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Details of fair value hierarchy and information relating to fair value of Company's leasehold land, building, electric installations and plant and machinery is as follows:

Note	Level 1	Level 2	Level 3	Total
..... Rupees in '000				
Land - leasehold 5.4.1	—	1,064,075	—	1,064,075
Building - factory	—	1,635,745	—	1,635,745
Plant and machinery	—	2,800,000	—	2,800,000
Coating sheds - owned	—	65,134	—	65,134
Vehicles	—	4,140	—	4,140
Others	—	16,379	—	16,379
As at June 30, 2020	—	5,585,473	—	5,585,473
Land - leasehold 5.4.1	—	850,709	—	850,709
Building - factory	—	1,622,688	—	1,622,688
Plant and machinery	—	2,637,983	—	2,637,983
Coating sheds - owned	—	68,523	—	68,523
Vehicles	—	4,878	—	4,878
Others	—	16,576	—	16,576
As at June 30, 2019	—	5,201,357	—	5,201,357





- 5.5 Had there been no revaluation, the written down value of revalued Assets in the balance sheet would have been as follows

	Note	2020	2019
		..... (Rupees in '000)	
Land - leasehold		11,463	14,869
Building - factory		461,845	469,977
Plant and machinery		505,203	512,480
Coating sheds		60,388	61,936

The Leasehold land comprising 396.77 acres of land situated at Nooriabad District Jamshoro, Sindh

5.5 Capital work-in-progress

	Cost			
	As at 01 July 2019	Additions	(Written off) / (Transfers)	As at 30 June 2020
	..... (Rupees in '000)			
Building - Head Office and Factory	—	4,322	—	4,322
Plant and Machinery (Spiral welded plant)	52,275	189	—	52,464
	52,275	4,511	—	56,786

	Cost			
	As at 01 July 2018	Additions	(Written off) / (Transfers)	As at June 2019
Building - Head Office and Factory	—	—	—	—
Plant and Machinery	—	52,275	—	52,275
	—	52,275	—	52,275

6. LONG TERM DEPOSITS

Long term deposits	30 June 2020	30 June 2019
	6,936	6,936
	6,936	6,936

Management believe there was no impairment in long term deposit balances.

7. INVESTMENT

	Note		
HPY Coating (Pvt.) Ltd.	7.1	242,121	243,187
Addition during the year		448	166
Less: Provision : Loss of joint venture		(1,100)	(1,232)
Closing Balance		241,469	242,121

- 7.1 HPY Coating (Private) Limited ("HPY") is a joint venture company incorporated in Pakistan on 17th April 2017, in collaboration with Jiangsu PuYuan Steel Pipe Industry Company Limited ("PuYuan") on the basis of a 55%:45% shareholding with Huffaz owning 55% (23,100,000 shares @ 10 each) of the issued share capital in HPY against transfer of Land & Building therein and PuYuan owning 45% (18,900,000 shares @ 10 each) shares against transfer of plant machinery and equipment for setting up the project. The name of the Chief Executive of the company is Mr Hafiz Abdul Majid. The Board of directors of Joint Venture company will comprise 5 (Five) directors, with Huffaz appointing / nominating 3 (Three) Directors and





PuYuan appointing / nominating 2 (Two) Directors on the Board. The Purpose of investment is setting up a project for providing pipe coating services to its prospective customers ("Project"). This project is going to be a value addition service for the products of Huffaz.

- 7.2 The Joint venture has not yet commenced its operating activities. The latest available financial statements of the Company was prepared for the year 2020. The provision for loss represents 55% of the loss as per financial statement for the year 2020.
- 7.3 The above investment would be categorised under level-2 in financial hierarchy classification.

7.4 Summarise Financial Information

7.4.1 Statement of Financial Position

ASSETS

Non-Current Assets

Property, Plant and Equipment

Other Non-Current Assets

Current Assets

Advances & Deposits

Sales Tax Refundable

Cash and Bank balances

TOTAL ASSETS

EQUITY AND LIABILITIES

Share Capital

Unappropriated profit/(Loss)

Deposit from Huffaz

Trade and other payables

Other Current Liabilities

TOTAL EQUITY AND LIABILITIES

7.4.2 Statement of Profit and Loss

Sales

Cost of Sales

Gross Profit

Admin Expenses

Finance Expenses

Profit/Loss before tax

Tax

Profit/Loss after tax

Share of loss of the company is @ 55% . (1.1 million)

8. STORES AND SPARES

Stores - in hand

Spare parts and loose tools

Less: Provision for impairment / obsolescence

- 8.1 There have been no capital item in stores spears and tools

	30 June 2020	30 June 2019
	..... (Rupees '000)	
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	460,164	459,731
Other Non-Current Assets	—	—
Current Assets		
Advances & Deposits	5	5
Sales Tax Refundable	34,304	34,304
Cash and Bank balances	18	6
TOTAL ASSETS	494,491	494,046
EQUITY AND LIABILITIES		
Share Capital	441,003	441,003
Unappropriated profit/(Loss)	(2,240)	(2,240)
Deposit from Huffaz	21,123	20,678
Trade and other payables	34,605	34,605
Other Current Liabilities	—	—
TOTAL EQUITY AND LIABILITIES	494,491	494,046
7.4.2 Statement of Profit and Loss		
Sales	—	—
Cost of Sales	—	—
Gross Profit	—	—
Admin Expenses	—	(2,203)
Finance Expenses	—	(37)
Profit/Loss before tax	—	(2,240)
Tax	—	—
Profit/Loss after tax	—	(2,240)
Share of loss of the company is @ 55% . (1.1 million)		
8. STORES AND SPARES		
Stores - in hand	64,204	71,703
Spare parts and loose tools	3,854	1,880
	68,058	73,583
Less: Provision for impairment / obsolescence	(3,000)	(2,000)
	65,058	71,583



	30 June 2020	30 June 2019
	..... (Rupees in '000)	
9. STOCK-IN-TRADE		
Raw material - in hand	73,145	68,234
Work-in-process	102,972	61,620
Finished goods	1,059,493	1,054,302
Rejection / scrap material	191,094	172,092
	1,426,704	1,356,248
Add: - in transit	154,905	114,392
	1,581,609	1,470,640
Less: Difference came in Physical Counting of Stock in Trade	1,135	—
	1,582,744	1,470,640

9.1 Difference came in stock in trade in Physical Count of Rs. 1,134,850 as follows:

Decrease in Scrape: Rs. (4,050,000).
Decrease in Finish Goods of Rs. (1,652,640)
Increase in Raw Material: Rs. 6,837,490.
Net effect: 1,134,850

10. TRADE DEBTS - unsecured

Considered good	14,155	71,201
Considered doubtful	—	—
	14,155	71,201
Less: Provision for doubtful debts	(2,293)	—
	11,862	71,201

10.1 Trade debts are non-interest bearing and are generally on 30 - 60 or 90 days credit period which may be extended due to abnormal conditions such as Covid 19 in the current year.

10.2 Related Parties from whom debts are due are as under:

Hafiz Abdul Waheed and Brothers (Pvt) Limited - (the max amount due at anytime during the year was zero)	—	—
Huffaz Corporation (Pvt) Limited - (the max amount due at anytime during the year was 2.832 million)	—	2,832
	—	2,832

10.3 The aging of trade debt balances at the balance sheet date was as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	..... (Rupees in '000)			
Less than 90 days	—	—	63,343	—
91 to 180 days old	—	—	7,858	—
181 to 365 days old	—	—	—	—
More than one year	—	—	—	—
	—	—	71,201	—

Based on the past experience, consideration of financial position of customers, past track records and recoveries, the Company believes that there may not be 'Expected Credit Losses'. Therefore, trade debts do not require any impairment and no provision was made.





		30 June 2020	30 June 2019
		..... (Rupees in '000)	
11. LOANS AND ADVANCES - considered good			
Advances to suppliers - unsecured	11.1	10,170	12,434
Advances to employees for expenses		6,869	5,406
Loans and advances to employees	11.2	8,669	11,110
		<u>25,708</u>	<u>28,950</u>
11.1	This includes advances to suppliers for purchases. The amounts paid have been adjusted subsequently upon supply of goods to the company.		
11.2	This includes interest free medical loan provided to employees. The advances have been settled with employees by way of deduction from their salaries.		
12. TRADE DEPOSITS			
Trade deposits - considered good	12.1	10,529	38,661
Short term loan to HPY Coating	12.2	20,828	20,828
		<u>31,357</u>	<u>59,489</u>
12.1	This represents deposits held by Customers of the Company in accordance with the supply agreement entered for supply of Company's product. The Company believe that there would be no expected credit losses in respect of deposits held in Customers.		
12.2	This represent advance given to HPY coating (Private) Limited for the purpose of meeting working capital requirements and included various payments for meeting costs incurred by the investee company as provided in the joint venture agreement.(Note: 7)		
13. OTHER RECEIVABLES			
Sales tax Net		8,839	—
Margin against guarantee		29,042	33,479
		<u>37,881</u>	<u>33,479</u>
14. ADVANCE TAX - NET OF PROVISION			
Tax receivable as at 1 July		(2,962)	34,992
Tax paid during the year		13,508	21,419
		<u>10,546</u>	<u>56,411</u>
Reversal for provision 2019		10,340	—
Provision for taxation		(17,904)	(59,373)
		<u>2,982</u>	<u>(2,962)</u>
15. CASH AND BANK BALANCES			
Cash in hand		584	60
With banks in current accounts		9,172	15,450
With bank in foreign currency accounts		21	21
		<u>9,777</u>	<u>15,531</u>
Less: Book Over draft		(5,201)	(5,103)
		<u>4,576</u>	<u>10,428</u>



16. SHARE CAPITAL

30 June 2020	30-Jun 2019		30 June 2020	30-Jun 2019
(Number of shares)			.....(Rupees in '000).....	
Authorised				
<u>70,000,000</u>	<u>70,000,000</u>	Ordinary Shares of Rs. 10 each	<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid up				
12,200,278	12,200,278	Ordinary Shares of Rs. 10 each fully paid in cash	122,003	122,003
38,906,565	38,906,565	Ordinary Shares of Rs. 10 each issued as bonus shares	389,066	389,066
4,377,460	4,377,460	Issued right shares fully paid in cash	43,775	43,775
<u>55,484,303</u>	<u>55,484,303</u>		<u>554,844</u>	<u>554,844</u>

16.1 The above includes shares having face value of Rs. 101.213 million (2019: Rs. 101.213 million) held by the foreign sponsors of the Company.

17 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

As at July 1, 2019

Leasehold land	800,581	797,175
Factory building, plant and machinery and coating sheds	3,149,287	3,286,261
Revaluation arising during the year (Freehold Land)	213,366	—
Revaluation arising during the year (Building, Plant & machinery)	410,493	—
Transfer of assets	—	—
	4,573,727	4,083,436
Less: transferred to unappropriated profit:		
– Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	(33,846)	(94,833)
– Related deferred tax	(13,825)	(38,735)
	(47,671)	(133,568)
	4,526,056	3,949,868
Less: related deferred tax liability on:		
– Revaluation as at July 1,	(952,519)	(991,254)
– Incremental depreciation charged during the year on related assets transferred to profit and loss account	13,825	38,735
– (Deficit) / Surplus arising during the year	(119,043)	—
– Effect of change in tax rates	(1,057,737)	(952,519)
	3,468,318	2,997,349





		30 June 2020	30 June 2019
		..... (Rupees in '000)	
18. DEFERRED LIABILITIES			
Staff gratuity	18.1.3	94,725	134,098
Less: Benefits due but not yet paid	19	(6,162)	(4,418)
		88,562	129,680
Deferred taxation - net	18.2	1,165,727	1,045,622
		1,254,289	1,175,302
18.1. Staff gratuity - defined benefit plans			
18.1.1 General description of the defined benefit plan and accounting policy for the remeasurements of the defined benefit obligations is disclosed in note 4.6 to these financial statements			
18.1.2 Liability recognised in the balance sheet			
Present value of defined benefit obligations	19.1.3	88,562	129,679
Benefits due but not paid during the year		6,162	4,418
		94,725	134,098
18.1.3 Changes in present value of defined benefit obligations			
Balance at the beginning of the year		129,679	107,460
Expense recognized in profit & loss account	19.1.4	25,647	16,999
Total remeasurements recognised in other comprehensive income	19.1.5	(41,403)	5,660
Benefits paid during the year		(20,217)	(440)
Benefits due but not paid during the year		(5,144)	—
Actuarial loss / (gain)		—	—
Obligation as at 30 June 2020		88,562	129,679
18.1.4 Amount recognized in profit and loss account			
Current service cost		8,975	7,348
Interest cost		16,672	9,652
		25,647	16,999
18.1.5 Total remeasurements recognised in other comprehensive income			
Remeasurement on defined benefit obligation arising on			
– financial assumptions		—	—
– demographic assumptions		(220)	332
– experience adjustments		(41,183)	5,328
		(41,403)	5,660
18.1.6 Actuarial valuation of staff gratuity scheme has been carried out as at Jun 30, 2020 using Projected Unit Credit Method and the following significant assumptions have been used			
Discount rate		14.25%	9.00%
Discount rate for year end valuation		8.50%	14.25%
Salary increase rate		7.00%	5.00%
Mortality rate		SLIC 2001-2005 With one-year set back	SLIC 2001-2005 With one-year set back
Retirement age		60 years	60 years



18.1.7 Number of employees covered by the scheme

30 June 2020	30 June 2019
100	148

18.1.8 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption	Increase / (decrease) in defined benefit obligation due to	
		Increase in assumption	Decrease in assumption
		..... (Rupees in '000)	
Discount rate	1%	(5,502)	(5,502)
Salary growth rate	1%	6,315	6,315

18.1.9 The gratuity scheme exposes the Company to the following risks:

Longevity risks: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation.

The movement of the liability can go either way.

18.1.10 The weighted average duration of defined benefit obligation as at June 30, 2020/2019 is 5 years.

18.1.11 The expected gratuity expense for the next one year from July 1, 2020 would be 10,870 thousand (July 1, 2019 to Rs. 25,646

30 June 2020	30 June 2019
..... (Rupees in '000)	

18.2 Deferred taxation - net

Taxable temporary difference arising in respect of:

Accelerated tax depreciation and amortisation	256,635	255,034
Surplus on revaluation of property, plant and equipment	1,007,299	902,080
Finance lease arrangement / DM financing	428	355
	1,264,362	1,157,469

Deductible temporary differences arising in respect of:

Defined benefit plan's obligation	(27,470)	(40,530)
Provision for compensated absences	(3,939)	(4,093)
Others	(67,226)	(67,226)
	(98,635)	(111,849)
Net	1,165,727	1,045,620





		30 June 2020	30 June 2019
		..... (Rupees in '000)	
18.2.1 Deferred tax transferred to taxation account	Note 30		
Net deferred tax balance at end of the year 2020		1,165,727	1,045,620
Net deferred tax balance at beginning of the year 2020		1,045,620	1,074,291
Amount transferred to deferred tax for the year		120,107	(28,670)
19. TRADE AND OTHER PAYABLES			
Trade creditors		44,013	23,519
Accrued liabilities		57,720	42,829
Sales tax payable		—	17,718
Tax deducted at source		38,213	33,797
Workers' profit participation fund	19.1	391,425	358,284
Workers' welfare fund		15,337	14,001
Bills payable		95,557	131,009
Advances from customers		69,835	117,523
Provision for compensated absences		13,583	14,113
Gratuity due but not yet paid	19.1.2	6,162	4,418
Others		1,396	1,396
		733,241	758,607
19.1 Workers' Profit Participation Fund			
Balance as at 1 July		358,284	317,431
Allocation for the period		—	1,967
Interest on funds utilized in the Company's business		33,141	38,885
		391,425	358,284
Payments made during the year		—	—
Balance at the end of the year		391,425	358,284
20. SHORT TERM SPONSORS' ADVANCES - Unsecured			
This represents unsecured and interest free advance from sponsors repayable on demand.		82,746	83,180
21. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Current portion of long term musharka financing (Car Fortuner)	18	—	619
		—	619
22. CONTINGENCIES AND COMMITMENTS			
22.1 Contingencies			
22.1.1 Guarantees as at June 30, 2020 amounting to Rs. 29.042 million (2019: Rs. 23.569 million) have been furnished in favour of various customers.			



22.1.2 Tax Contingencies

The Collector of Custom, Hyderabad issued the show-cause notice No 832 dated 17/09/2020 against some Directors of Huffaz Seamless Pipes Industries Limited in respect of Custom duty and Sales Tax of Rs 61.766 million (approx) and subsequently filled an FIR. The Company approached Honorable High Court of Sindh in this regard and obtained stay order. The matter is subjudice as the case is proceeded before Honorable High Court of Sindh. In the opinion of legal council, there are no adverse consequences against the company regarding this case. The Directors and the legal council are optimist that the outcome of the case will be in company's favour.

22.1.3 The commission inland revenue issued notices to the company indicating selection of the company for sale tax audit for the year 2015 through 2019. The audit proceedings is yet to be commence. Management believe that on concluding the said audits, no significant tax liability would arise.

22.1.4 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU. Various companies filed suits before the Honourable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. On August 22, 2014, the Supreme Court of Pakistan has given a judgment declaring that the levy of GID cess as a tax was not validly levied in accordance with the Constitution. In September 2014, the Federal Government promulgated Gas Infrastructure Cess (GIDC) Ordinance No. VI of 2014. In May 2015, the said Ordinance was approved in the parliament and became an Act. Under the Act, GID Cess at the rate of Rs. 100 per MMBTU on all industrial consumers has been levied. Subsequent to the approval of the Act, the Company received gas bills at the rate of Rs. 100 per MMBTU, as the Company is considered an industrial consumers. The company believe that it would be contingently liable for the aforesaid liability pertaining to the year 2015 only to the extent of Rs 1.923 million which remains unpaid. Subsequent to the year 2015 the said GIDC was not billed by the SSGC and therefore management believe that it is not expose to the liability in this regard.

On 12 August 2020, the Supreme Court of Pakistan issued its verdict and held that "the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution". The Supreme Court has also held that "the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of 'Cess' levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament.

22.2 Commitments

22.2.1 Commitments under letters of credit as at June 30, 2020 amounted to Rs. 95.6 million (2019: Rs. 111 million).

22.2.2 The facility for opening letters of Credit/Guarantees as at June 30, 2020 amounted to Rs. 300 million (2019: Rs. 600 million) of which the amount remaining unutilised as at that date was Rs. Nil.00 million.

23. Revenue from contract with customers

Gross Revenue -Local
Gross Revenue - Export

Less -Sales Tax

30 June 2020	30 June 2019
..... (Rupees in '000)	
368,540	585,698
—	—
368,540	585,698
(26,925)	(84,595)
341,615	501,103

23.1 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical markets and major product



		30 June 2020	30 June 2019
		..... (Rupees in '000)	
23.1.1 Major Product Lines:			
Seamless and other pipes		308,481	414,197
Coating revenue		33,134	86,906
		341,615	501,103
23.1.2 Primary geographical markets:			
Sindh		300,621	440,971
Other provinces		40,994	60,132
		341,615	501,103
24. COST OF REVENUE FROM CONTRACT WITH CUSTOMERS			
Opening stock of finished goods		1,054,302	835,718
Cost of goods manufactured	24.1	273,350	587,124
		1,327,652	1,422,842
Closing stock of finished goods	9	(1,059,493)	(1,054,302)
		268,159	368,540
24.1 Cost of goods manufactured			
Opening work in progress		61,620	38,023
Raw material consumed	24.1.1	112,288	148,893
Store and spare parts consumed		16,301	23,368
Coating material consumed		13,097	44,000
Gas consumed		19,020	31,408
Processing expense (outside factory)		—	4,512
Power, fuel and water		20,542	31,709
Salaries, wages, and other benefits	24.1.2	69,189	100,255
Rent, rates and taxes		—	650
Insurance		592	436
Repairs and maintenance		866	5,650
Carriage and cartage		40	424
Depreciation	5.2	66,405	175,574
Provision for impairment / obsolescence		1,000	2,000
Stock adjustments physical/books		(1,135)	—
Others		15,499	7,746
Closing work in progress		(102,972)	(61,620)
		292,352	553,028
Rejection / scrap material			
Opening		172,092	206,188
Closing		(191,094)	(172,092)
		(19,002)	34,096
		273,350	587,124
24.1.1 Raw material consumed			
Opening stock		182,625	131,299
Purchases		2,808	200,220
		185,433	331,519
Closing stock		(73,145)	(182,626)
		112,288	148,893
24.1.2 Salaries, wages and other benefits include Rs.21.266 million (2019: Rs.10.83) in respect of staff retirement benefits.			



		30 June 2020	30 June 2019
		..... (Rupees in '000)	
25. SELLING AND DISTRIBUTION COST			
Salaries, wages and other benefits	25.1	4,190	5,117
Sales promotion and other expenses		—	8
Travelling and conveyance		62	9
Bad debts written off		2,293	—
Late delivery charges		10,151	4,582
Miscellaneous		129	4,213
		16,825	13,929
25.1	Salaries, wages and other benefits include Rs. 1.337 million (2019: Rs.0.56) in respect of staff retirement benefits.		
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	26.1	24,162	27,206
Travelling and conveyance		4,475	16,319
Legal and professional charges	26.3	3,006	2,656
Fees and subscription		3,389	4,523
Telephone, telex and postage		599	1,969
Vehicle running and maintenance		1,352	3,718
Auditors' remuneration	26.2	1,094	1,094
Printing and stationary		176	432
Depreciation	5.2	965	813
Utilities		666	883
Rent, rates and taxes		—	50
Repairs and maintenance		94	2,891
Advertisement		297	135
Entertainment		16	35
Loss on Joint Venture Company (Note-07)		1,100	1,232
Others		420	7,924
		41,811	71,880
26.1	Salaries and other benefits includes Rs. 3.043 million (2019: Rs. 5.598 million) in respect of staff retirement benefits.		
26.2 Auditors' remuneration			
Annual audit fee		694	694
Half yearly review		240	240
Other services including certifications		70	70
Out of pocket expenses		90	90
		1,094	1,094
26.3	Legal and professional charges include penalties charged by FBR of 2.3 million and SECP of Rs.100,000.		
27. OTHER OPERATING CHARGES			
Workers' Profit Participation Fund		—	1,967
Workers' Welfare Fund		1,336	4,472
Exchange loss		2,417	—
		3,753	6,439



		30 June 2020	30 June 2019
		..... (Rupees in '000)	
28. OTHER OPERATING INCOME			
Scrap sales		—	18,277
Others		13,079	22,893
Creditor no longer required written off		—	36,049
Sales tax refundable written off		—	(36,049)
		<u>13,079</u>	<u>41,170</u>
29. FINANCE COST			
Lease financial charges		—	—
Muharka rent		—	—
Interest on workers' profit participation fund	19.1	33,141	38,885
Mark-up on Short term borrowings		—	7,397
Profit on Diminishing Musharika financing		13	122
Bank charges		468	2,173
		<u>33,622</u>	<u>48,577</u>
30. TAXATION			
Current			
for the year		17,904	59,373
for prior years		(10,340)	—
		<u>7,564</u>	<u>59,373</u>
Deferred		<u>(10,945)</u>	<u>(28,670)</u>
		<u>(3,381)</u>	<u>30,703</u>
30.1	Income tax assessments of the company has been finalised upto and including tax year 2017 under the deeming provision of the income tax ordinance 2001. With respect to 2018, assessment was made and there were no significant disallowances by the department and no tax liability would arise. In respect of tax year 2019 assessment would be made under deeming provisions of income tax ordinance 2001.		
30.2	The management believes amount provided for income tax liability for current and previous year has been in accordance with the prevalent income tax law and sufficient enough to meet the tax liability of the company. An analysis of tax provision and tax		

	..... (Rupees in '000)	
Tax Year	Tax Assessment	Provision for Taxation
2018	44,524	44,524
2017	63,965	64,320
2016	59,000	59000
2015	35,498	35498
2014	37,436	37436





	30 June 2020	30 June 2019
	..... (Rupees in '000)	
30.3 Relationship between tax expenses and accounting profit		
Profit / (Loss) before taxation	(9,475)	32,908
Tax at the applicable rate of 29% (2018: 30%)	(2,748)	9,872
Tax effect of temporary / permanent difference	(36,733)	(64,103)
Effect of prior year charges	(10,340)	—
Effect of change in tax rate	—	(287)
Others	46,440	85,221
	(3,381)	30,703
31. (LOSS) / EARNING PER SHARE - basic and diluted		
(Loss) / Profit after taxation for the year	(6,094)	2,205
	..... (Number in '000)	
Weighted average number of Ordinary Shares	55,484	55,484
	..... (Rupees)	
(Loss) / Earning per share - basic and diluted	(0.11)	0.04
There was no diluted earning per share		
31.1 Earning before interest,tax,depreciation and amortisation (EBITDA)		
Loss/Profit after taxation	(6,094)	2,205
Tax	(3,381)	(28,670)
Depreciation	67,369	177,369
Finance Cost	33,622	48,577
	91,516	307,431
32. Changes in working capital		
Decrease / (increase) in current assets		
Stores and spare parts	6,525	1,401
Stock in trade	(112,104)	(259,412)
Trade debts	59,339	32,297
Loans and advances, trade deposits, prepayments and other receivables	26,972	6,910
	(19,268)	(218,804)
Increase in current liability		
Trade and other payables	(27,110)	58,441
	(46,378)	(160,363)
33. CASH AND CASH EQUIVALENTS		
Restructured Term Finances under mark-up arrangements	—	—
Cash and bank balances	4,576	10,428.00
	4,576	10,428.00



34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
.....Rupees in '000.....						
Managerial remuneration	6,274	6,274	—	—	9,866	15,347
House rent	2,823	2,823	—	—	4,440	6,906
Utilities	—	—	—	—	987	1,535
Gratuity	758	758	—	—	1,274	1,803
	9,855	9,855	—	—	16,567	25,591
Number of persons	1	1	1	1	9	13

34.1 In addition to the above Chief Executive, Director, Executive and certain other employees are provided with free use of Company maintained vehicles in accordance with the Company's policy.

34.2 During the year no amount (2019: Rs. Nil) was paid to Directors for attending the Board of Directors' meeting.

35. CAPACITY AND PRODUCTION

Particulars	2020		2019	
	Capacity	Production	Capacity	Production
.....Metric Ton.....				
Seamless Tubular Products	100,000	747	100,000	2,744
Machinery & Machinery Components	3,500	—	3,500	—
Coating of Seamless Tubular Products	50,000	4,829	50,000	4,076

The above represents name plate capacities. The production capacity of the plant varies as this depends on the relative proportions of the various types of seamless pipes and tubes produces.

Capacity under utilized in the year due to the lack of the shortage of demand.

Seamless Tubular Products	100%	1%	100%	3%
Coating of Seamless Tubular Products	100%	10%	100%	8%

36. NUMBER OF EMPLOYEES

The permanent number of employees as at year end were 102 (2019: 148) and total average number of employees were 108 (2019: 140) the average number of factory employees in the year were 96 (2019: 140)



37. TRANSACTIONS WITH RELATED PARTIES
37.1 Composition and Relationship

37.3 All related party transactions are unsecured and settle by way of banking transactions.

Related parties comprise of

- Joint Venture / subsidiary (Note 7)
- Associated companies
- Directors of the Company (Note 34)
- Companies in which directors also hold directorship
- Related group companies
- Key management personnel (Note 34)
- Staff retirement benefit funds.

37.2 Common holding

Director of the Company Hafiz Abdul Waheed (10.49%), Hafiz Abdul Sami (1.69%) & Hafiz Abdul Aleem (1.62%) shares in the Company and is owner of Huffaz corporation

Director of the Company Hafiz Abdul Waheed (10.49%), Hafiz Abdul Sami (1.69%) & Hafiz Abdul Aleem (1.62%) shares in the Company and is owner of HAW Bros & Co.

37.3 All related party transactions are unsecured and settle by way of banking transactions.

37.4 Transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	30 June 2020	30 June 2019
..... (Rupees in '000)				
Hafiz Abdul Waheed and Brothers	Associated company	Sale of goods	<u>NIL</u>	<u>NIL</u>
		Receipts in respect of sale of goods	<u>1,854</u>	<u>23,437</u>
		Outstanding balance in respect of sale of goods	<u>6,714</u>	<u>4,859</u>
		Purchase of goods	<u>NIL</u>	<u>NIL</u>
		Outstanding balance in respect of purchase of goods	<u>NIL</u>	<u>NIL</u>
Huffaz Corporation	Associated company	Sale of goods	<u>15,102</u>	<u>—</u>
		Receipts in respect of sale of goods	<u>6,564</u>	<u>3,052</u>
		Outstanding balance in respect of sale of goods	<u>(5,707)</u>	<u>2,832</u>
		Purchase of goods	<u>NIL</u>	<u>NIL</u>
		Outstanding balance in respect of purchase of goods	<u>NIL</u>	<u>NIL</u>
Transactions with directors	Related party	Sponsors' advances received	<u>11,975</u>	<u>28,752</u>
		Sponsors' advances paid	<u>12,410</u>	<u>11,181</u>
		Remuneration	<u>26,422</u>	<u>17,815</u>





Balance as at 30 June in relation to transactions related to related parties are as follows:

Name	Nature of relationship	Nature of transaction	30 June 2020	30 June 2019
			..... (Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated company	Balance as at the date of balance sheet - net	<u>(6,714)</u>	<u>(4,859)</u>
Huffaz Corporation	Associated company	Balance as at the date of balance sheet - net	<u>(5,707)</u>	<u>2,832</u>
HPY Coating (Private) Limited	Joint Venture	Balance as at the date of balance sheet	<u>20,828</u>	<u>20,828</u>
Transactions with directors	Related party	Balance as at the date of balance sheet	<u>(82,746)</u>	<u>(83,180)</u>
Staff retirement benefit - gratuity		Balance as at the date of balance sheet	<u>94,725</u>	<u>134,098</u>
HPY Coating (Private) Limited	Joint Venture	Investment	<u>241,469</u>	<u>242,121</u>

38. OPERATING SEGMENTS

The Company has identified Seamless and Coating as two reportable segments. Performance is measured based on respective segment results. Information regarding the Company's reportable segment is presented below:

38.1 Segment revenue and results

	Seamless Segment	Coating Segment	Total
Rs '000			
For the period ended 30 June 2020			
Revenue from contract with customers	308,481	33,134	341,615
Cost of revenue from contract with customers	(239,523)	(28,635)	(268,158)
Gross Profit	68,958	4,499	73,457
For the year ended 30 June 2019			
Revenue from contract with customers	414,197	86,906	501,103
Cost of revenue from contract with customers	(283,364)	(85,176)	(368,540)
Gross Profit / (Loss)	130,833	1,730	132,563

Reconciliation of segment results with profit after tax is as follows:

	30 June 2020	30 June 2019
..... (Rupees in '000)		
Total results for reportable segments	73,457	132,563
Selling, distribution and administrative expenses	(58,636)	(85,809)
Other operating expenses	(3,753)	(6,439)
Other operating income	13,079	41,170
Financial charges	(33,622)	(48,577)
Taxation	3,381	(30,703)
(Loss) / Profit for the year	(6,094)	2,205



**38.2 Segment assets and liabilities**

	Seamless Segment	Coating Segment	Total
	Rs '000		
As at 30-Jun-2020			
Segment assets	6,326,936	1,325,896	7,652,832
Segment liabilities	815,987	—	815,987
As at 30-Jun-2019			
Segment assets	5,723,788	1,327,566	7,051,354
Segment liabilities	845,320	—	845,320

Reconciliation of segment assets and segment liabilities with total assets and liabilities in the statement of financial position is as follows:

	30 June 2020	30 June 2019
	(Rupees in '000)	
Total for reportable segment assets	7,175,153	6,505,583
Unallocated assets	477,679	566,564
Total assets as per statement of financial position	7,652,832	7,072,147
Total for reportable segment liabilities	815,987	842,406
Unallocated liabilities	1,254,289	1,175,302
Total liabilities as per statement of financial position	2,070,276	2,017,708

38.3 Segment revenue reported above are revenue generated from external customers. There were no inter-segment sales during the year (June 2019 nil)

38.4 Segment assets reported above comprising of property, plant and equipment and stock in trade.

38.5 100% (2019: 100%) gross sales of the Company relates to customers in Pakistan.

38.6 All non-current assets of the Company as at 30 June 2020 are located in Pakistan.

38.7 Revenue from a major customer of seamless segment represents an aggregate amount of Rs. 232.551 million (2019: Rs. 383.79 million) of total seamless segment revenue of Rs. 308.481 million (2019: 414.197 million). Further, revenue from a major customer of coating segment represents an aggregate amount of Rs. 22.642 million (2019: Rs. 69.034 million) out of total coating segment revenue of Rs. 33.134 million (2019: Rs. 86.906 million).

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

IFRS 9 adopted for the first time in the year. The balances reported in the previous financial statements under IAS 39 Financial Instruments have also been adopted for the purpose of disclosure in the current period. All financial instruments have been recognized at fair value through profit and loss account and there have been no changes in fair values of assets and liabilities in the current period because of the adoption of new IFRS. Therefore, there were no reclassification made in the current year.

Financial risk management

- Credit risk
- Liquidity risk
- Market risk



**Risk Management Framework**

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate policies and systems and reviewed regularly to reflect changes in market condition and the company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks of the Company.

39.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers and except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness. As at June 30, 2019, none of the financial assets are past due or impaired and management made assessment that there will not be '**Expected Credit Losses**', Therefore, '**Credit Loss Model**' as per IFRS 9 does not apply to the company.

The maximum exposure to credit risk at the reporting date is as follows:

	2020		2019	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	(Rupees in '000)			
Long Term deposits	6,936	—	6,936	—
Trade debts	11,862	11,862	71,201	71,201
Trade Deposits	31,357	—	59,489	—
Other receivables	29,042	29,042	33,479	33,479
Cash and bank balances	4,576	3,992	10,428	10,368
	83,773	44,896	181,533	115,048

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

Dealers and distributors	5,550	30,421
End-user customers	6,312	40,780
	11,862	71,201

As at the year end the Company's most significant customers included a distributor from whom Rs. 5.550 million was due (2019: Rs. 10.450 million) and an end-user from whom Rs. 3.568 million was due (2019: Rs. 38.378 million).





The Company deposits its funds with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated as follows:

Local Banks	Credit Rated	Short term C to A1+	Long term B to AAA
		1905 (Rupees in '000)	1905
National Bank of Pakistan	A1+	150	200
Habib Bank Ltd	A1+	—	1,733
MCB Bank Ltd	A1+	578	578
Bank Islami	A1+	78	2,951
Bank Al Habib Ltd	A1+	3,511	2,792
Silk Bank	A-2	—	504
Other Banks	A1+	259	1,670
Total		4,576	10,428

39.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

2020					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative	..... (Rupees in '000)				
Financial liabilities					
Short Term Sponsors					
Advances	82,746	82,746	—	82,746	—
Creditors, Accrued liabilities & Bills payable	197,290	197,290	—	197,290	—
	280,036	280,036	—	280,036	—
2019					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative	..... (Rupees in '000)				
Financial liabilities					
Liabilities against assets under diminishing musharika financing	619	619	349	270	—
Short Term Sponsors					
Advances	83,180	83,180	—	83,180	—
Creditors, Accrued liabilities & Bills payable	197,357	197,357	197,357	—	—
	281,156	281,156	349	280,807	—

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective at statement of financial position date (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in note 18 to these financial statements.



**39.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

39.3.1 Currency risk

Foreign currency risk is the risk that the value of a financial asset or liability will fluctuate due to a change in foreign exchange rates.

It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on purchase and borrowings and sales that are denominated in a foreign currency (primarily U.S. Dollar). The Company's exposure to foreign currency risk is as follows:

	2020		2019	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Import Bills Payable	(95,557)	(569)	(131,009)	(820)
Foreign currency bank accounts	21	0.125	21	0.131
	<u>(95,536)</u>	<u>(568)</u>	<u>(130,988)</u>	<u>(820)</u>

Following are the significant exchange rates applied during the year:

	Average rates		Statement of Financial Position date rate	
	2020	2019	2020	2019
	..... (Rupees in '000) .....		..... (Rupees in '000)	
US Dollars	163.91	140.83	168.05	159.76

Sensitivity analysis

A 5.0% change in Rupee against US Dollar at June 30, 2020 would have decreased equity and increased post tax loss by Rs. 6.8 million (2019: Rs. 0.63 million @ 29%). This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2019.

39.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the statement of financial position date the interest rate profile of the Company's interest-bearing financial instrument was as follows: .

	Carrying amount	
	2020	2019
	(Rupees in '000)	
Variable rate instruments		
Financial liabilities	0	619

All borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased the equity and increased loss as of June 30, 2020 by Rs. 1.37 million (2019: Rs. 0.0044 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

39.4 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements represents their fair values.



**Fair value sensitivity analysis for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore a change in interest rates at the reporting date would not affect the profit and loss account.

39.4.1 Measurement Of Fair Values

Management engage an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building , Plant & Machinery) and obtain rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

30-Jun-20							
Carrying Amount				Fair Value			
Loans and receivable	Other financial assets	Liabilities at fair value through profit and loss	Other Financial Liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value							
Long term deposits	6,936	—	—	6,936	—	6,936	—
Trade debts-considered good	11,862	—	—	11,862	—	11,862	—
Loan, advances, trade deposits and short term prepayments	57,065	—	—	57,065	—	57,065	—
Other receivables	37,881	—	—	37,881	—	37,881	—
Cash and bank balances	4,576	—	—	4,576	—	4,576	—
Financial liabilities measured at fair value							
- Derivative financial liabilities	—	—	—	—	—	—	—
Financial liabilities not measured at fair value							
Long-term financing-secured	—	—	—	—	—	—	—
Trade and other payables	—	—	733,241	733,241	—	733,241	—
Short-term sponsors' advances	—	—	82,746	82,746	—	82,746	—
Short-term borrowings-secured	—	—	—	—	—	—	—
Current portion of non-current liabilities-secured	—	—	—	—	—	—	—
Accrued mark-up	—	—	—	—	—	—	—





30-Jun-19								
Carrying Amount					Fair Value			
Loans and receivable	Other financial assets	Liabilities at fair value through profit and loss	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	
Financial assets not measured at fair value								
Long term deposits	6,936	—	—	—	6,936	—	6,936	—
Trade debts-considered good	71,201	—	—	—	71,201	—	71,201	—
Loan, advances, trade deposits and short term prepayments	88,439	—	—	—	88,439	—	88,439	—
Other receivables	33,479	—	—	—	33,479	—	33,479	—
Cash and bank balances	10,428	—	—	—	10,428	—	10,428	—
Financial liabilities measured at fair value								
- Derivative financial liabilities	—	—	—	—	—	—	—	—
Financial liabilities not measured at fair value								
Long-term financing-secured	—	—	—	—	—	—	—	—
Trade and other payables	—	—	—	758,607	758,607	—	758,607	—
Short-term sponsors' advances	—	—	—	83,180	83,180	—	83,180	—
Short-term borrowings-secured	—	—	—	—	—	—	—	—
Current portion of non-current liabilities-secured	—	—	—	619	619	—	619	—
Accrued mark-up	—	—	—	—	—	—	—	—

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
- Land and Building	30-Jun-20	The valuation model is based on price per square feet for building and per acre for land. In determining the change owing to changes in valuations for land and buildings, the valuer refers to input. However, the current market conditions, structure, sale prices of management does not expect comparable land in similar location adjusted for there to be a material sensitivity differences in key attributes such as land size and to the fair values arising from inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.
Liabilities measured at fair value			
Derivative financial liabilities			
- Forward exchange contract		The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. The fair value of forward exchange contract are included in level 2 in the fair value hierarchy. However at balance sheet date no forward exchange contract.	





Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities closely approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit asset and long term liabilities, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rate. The fair value of the Land and Building on freehold land are determined by an independent valuer based on price per square feet and price per acre and current replacement cost method adjusted for depreciation factor for existing asset in use. The resulting fair value is a level 3 fair value measurement. Fair values of investment in joint venture is disclosed in note 7 investments.

39.5 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to the shareholders or issue bonus / new shares.

The Company is not subject to externally imposed capital requirements.

40. GENERAL

40.1 Corresponding Figures

As stated in note# 5 due to recent changes brought about in Companies Act 2017, some of the previous period balances have been rearranged/reclassified wherever necessary to facilitate comparison in the current period.

40.2 Date of authorisation for issue

These financial statements were authorized for issue on **June 09 2021** by the Board of Directors of the Company.

Hafiz Abdul Majid
Chief Executive

Asghar Imam Khalid
Director

Muhammad Anwar Khan
Chief Financial Officer



Pattern of Shareholding

As on June 30, 2020

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
344	1	100	8337	0.0150
378	101	500	124706	0.2248
204	501	1000	162995	0.2938
334	1001	5000	876322	1.5794
84	5001	10000	632269	1.1395
29	10001	15000	361185	0.6510
33	15001	20000	592964	1.0687
10	20001	25000	226717	0.4086
15	25001	30000	414719	0.7475
6	30001	35000	198056	0.3570
13	35001	40000	493705	0.8898
5	40001	45000	206984	0.3730
3	45001	50000	143254	0.2582
5	50001	55000	261365	0.4711
1	55001	60000	57543	0.1037
1	60001	65000	62500	0.1126
3	65001	70000	205052	0.3696
1	70001	75000	75000	0.1352
4	75001	80000	311307	0.5611
3	85001	90000	260498	0.4695
1	90001	95000	90703	0.1635
1	100001	105000	103583	0.1867
2	110001	115000	227386	0.4098
1	115001	120000	119993	0.2163
2	120001	125000	248556	0.4480
2	140001	145000	287940	0.5190
1	145001	150000	148722	0.2680
1	155001	160000	159171	0.2869
2	165001	170000	334047	0.6021
1	170001	175000	172643	0.3112
1	180001	185000	183076	0.3300
3	185001	190000	568982	1.0255
2	195001	200000	396239	0.7141
3	200001	205000	604239	1.0890
1	225001	230000	227388	0.4098
1	240001	245000	243301	0.4385
1	260001	265000	261492	0.4713
3	270001	275000	812910	1.4651
2	285001	290000	575480	1.0372
1	310001	315000	311256	0.5610
1	340001	345000	341745	0.6159
5	345001	350000	1726446	3.1116
1	375001	380000	379190	0.6834
3	400001	405000	1208520	2.1781
1	420001	425000	423800	0.7638
2	435001	440000	877716	1.5819
1	485001	490000	487500	0.8786
1	565001	570000	568258	1.0242
1	570001	575000	574040	1.0346
1	605001	610000	606371	1.0929
1	625001	630000	627212	1.1304
1	745001	750000	747350	1.3470
1	785001	790000	788782	1.4216
1	830001	835000	833761	1.5027
1	860001	865000	862258	1.5541
1	930001	935000	931322	1.6785
1	1060001	1065000	1060359	1.9111
1	1065001	1070000	1067213	1.9234
1	1085001	1090000	1088021	1.9610
1	1125001	1130000	1127500	2.0321
1	1310001	1315000	1311896	2.3644
1	1380001	1385000	1381175	2.4893
1	1775001	1780000	1775453	3.1999
1	1820001	1825000	1822612	3.2849
1	2215001	2220000	2216551	3.9949
1	2820001	2825000	2821602	5.0854
1	3020001	3025000	3021317	5.4454
1	3525001	3530000	3525755	6.3545
1	4635001	4640000	4636615	8.3566
1	4890001	4895000	891378	8.8158
1545		Company Total	55484303	100.0000





Categories of Shareholders

As at June 30, 2020

	No of Shares	Percentage of Shareholding
1 Associated companies, undertakings and related parties (name wise detail)	—	—
2 Mutual funds (name wise detail)		
2.1 M/s First Crescent Modaraba	375	0.00%
2.2 First UDL Modarba	23,500	0.04%
2.3 Golden Arrow Selected Stocks Fund Limited	341,745	0.62%
	365,620	0.66%
3 Directors their spouses and minor children (name wise detail)		
3.1 Hafiz Abdul Majid	4,636,615	8.36%
Mrs. Fareeda Majid W/o Hafiz Abdul Majid	1,822,612	3.28%
3.2 Hafiz Abdul Haseeb	2,224,768	4.01%
3.3 Hafiz Abdul Waheed	5,822,700	10.49%
Mrs. Najma Waheed W/o Hafiz Abdul Waheed	3,427,973	6.18%
3.4 Yusuf Mohammed Yusuf Najibi	3,525,755	6.35%
3.5 Mr. Arshad Ahmad	2,262,953	4.08%
Mrs. Bilquees Ahmed W/o Arshad Ahmed	879,485	1.59%
3.6 Mr. Mohammad Hafiz	574,040	1.03%
3.7 Mr. A. Aziz Ehsaq A. Rehman	3,021,317	5.45%
3.8 Mr. Nabeel Abdul Rehman Arif	345,287	0.62%
3.9 Hafiz Abdul Sami	938,468	1.69%
3.10 Hafiz Abdul Aleem	896,072	1.62%
	30,378,045	54.75%
4 Executives	—	—
5 Public sector companies and corporations		
5.2 CDC-Trustee National Investment (Unit) Trust	1,311,896	2.36%
Trustee NBP Employee Pension Fund	128,927	0.23%
Others	255,182	0.46%
	1,696,005	3.06%
6 Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds		
6.1 IDBP (ICP Unit)	5,952	0.01%
6.2 National Bank of Pakistan	764	0.00%
	6,716	0.01%
7 Shareholders holding five percent or more voting rights (Name wise detail)	—	—
8 Others	23,037,918	41.52%
TOTAL	55,484,304	100%










www.jamapunji.pk










***Be aware, Be alert,
Be safe***

Learn about investing at
www.jamapunji.pk

Key Features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an investor
Education Initiative of
Securities and Exchange
Commission of Pakistan



jamapunji.pk



[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



Huffaz Seamless Pipe Industries Ltd.

Proxy Form

37th Annual General Meeting

Folio No.
CDC ID No.
Sub A/C No.
Shares held
CNIC No.
Passport No. (in case of Foreigner)

I/Weof
(full address) being a member / members of Huffaz Seamless Pipe Industries Ltd., hereby appoint
(Name)
of(full address) who is
also a member of this Company as my / our Proxy to attend and vote for me / us and on my / our behalf at 37th Annual
General Meeting of Company will be held on Wednesday, June 30, 2021 at 03:30 p.m. at Junagargh Community
Centre Opposite. Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 and any adjournment thereof.

Signature of Proxy

Proxy's:

Folio Number

CDC Participant ID No.

Sub-Account Number

CNIC Number

Passport Number

(in case of foreigner)

Signature.....

of Shareholder

(Signature appended above should agree with the specimen signatures registered with the Company)

1) Witness:
Signature
Name:
CNIC No.
Passport No.
(in case of foreigner)
Address

2) Witness:
Signature
Name:
CNIC No.
Passport No.
(in case of foreigner)
Address

NOTE:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
- (2) The instrument appointing a proxy should be signed by the member(s) or, in case of corporate entity to attend attorney duly authorized in writing. If the member is a corporation, its common seal must be affixed on the instrument.
- (3) CDC Shareholders are requested to bring with them their Computerised National Identity Cards along-with the participants' ID number and their accounts numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
- (4) The instrument appointing a proxy, together with Power of Attorney, in case of corporate entity, if any, under which it is signed or notarially certified copy thereof, must be deposited at the Company's registered officer not later than 48 hours before the time of holding the meeting.
- (5) In case of Proxy of Attorney from a member, same should also meet and comply with all the conditions relating to proxy, including the deposit of the original Power of Attorney with the Company.
- (6) In the absence of CNIC, the receipt of CNIC application with NADRA alongwith old/expired NIC/CNIC, will also be acceptable wherever the CNIC is required.

Please affix
Revenue Stamp
of Rs. 5/-



حفاظت سیم لیس پائپ انڈسٹریز لمیٹیڈ

پراکسی فارم

37 واں سالانہ اجلاس

فولیو نمبر:
سی ڈی سی آئی ڈی نمبر:
ذیلی اکاؤنٹ نمبر:
حصص کی تعداد:
کمپیوٹرائزڈ شناختی کارڈ نمبر:
پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو):

میں / ہم _____ از _____
بطور ممبر حفاظت سیم لیس پائپ انڈسٹریز لمیٹیڈ بنام _____

از _____ (مکمل پتہ) کو
اپنی / ہماری غیر موجودگی میں اپنا / ہمارا وکیل مقرر کرتا ہوں / کرتے ہیں تاکہ وہ میری / ہماری جانب سے کمپنی کے 37 ویں سالانہ اجلاس جو بروز بدھ مورخہ 30 جون 2021
بوقت 03:30 بجے بمقام جونا گڑھ کمیونٹی سینٹر، بالمقابل مشرق سینٹر، بلاک 17 گلشن اقبال، کراچی-75300 اس اجلاس میں شرکت کر سکے۔

پانچ روپے والی
ریونیو اسٹیپ گائیں

دستخط پراکسی: _____
فولیو نمبر: _____
سی ڈی سی آئی ڈی نمبر: _____
ذیلی اکاؤنٹ نمبر: _____
کمپیوٹرائزڈ شناختی کارڈ نمبر: _____
پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو): _____
(اوپر کئے گئے دستخط کمپنی کے ریکارڈ پر موجود نمونہ دستخط کے مطابق ہونا چاہیے)

دستخط: _____
شیئر ہولڈر کے

گواہ نمبر 2

گواہ نمبر 1

دستخط _____	دستخط _____
نام _____	نام _____
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو) _____	پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو) _____
پتہ _____	پتہ _____

نوٹس

- 1- ممبر جو اجلاس میں شرکت کرنے اور ووٹ ڈالنے کا حق رکھتا ہے وہ اپنی جگہ کسی اور ممبر کو بھی پراکسی منتخب کر سکتا ہے کی وہ اس کی جگہ شرکت کرے اور ووٹ ڈالے۔
- 2- اس کاغذ پر ممبر کے دستخط ہوں اور اگر کوئی ممبر کسی کارپوریٹ ادارے کی نمائندگی کر رہا ہو تو لازم ہے کہ اسکے پاس تحریر شدہ مختار نامہ اور پراکسی فارم جس پر ادارے کی عمومی مہر ثبت شدہ ہو۔
- 3- حاملین سی ڈی سی آئی اکاؤنٹ اور ذیلی اکاؤنٹ کو چاہئے کہ پراکسی فارم کے ساتھ اپنے اور پراکسی ممبر کے کارآمد قومی شناختی کارڈ / پاسپورٹ کی نقل بھی منسلک کریں۔
- 4- باقاعدہ پر شدہ اور دستخط شدہ پراکسی فارم کمپنی سیکرٹری کے پاس کمپنی کے رجسٹرڈ دفتر کو اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے موصول ہو جانا لازم ہے۔
- 5- کسی پراکسی کے attorney ہونے کی صورت میں پراکسی کی تمام شرائط پورا کرنا لازم ہے اس کے علاوہ کمپنی کو اصل پاور اٹارنی بھی جمع کرانا ہوگی۔
- 6- سی این آئی سی کے غیر موجودگی میں نادرا کو جمع کرائی گئی سی این آئی کی درخواست کی رسید یا پرانا NIC/CNIC جس کی مدت ختم ہوگئی ہو بھی قابل قبول ہوگی۔



Huffaz

Seamless Pipe Industries Limited

Committed to Excellence

Registered Office:

207-210, Second Floor,
Mashriq Centre,
Block 14, Gulshan-e-Iqbal, Karachi.

Factory:

90 KM Super High Way,
Nooriabad Industrial Estate,
District Jamshoro, Sindh.

Website: www.huffaz.pk