

Condensed Interim Financial Information
for the Third Quarter period ended
March 31, 2020
(Un-Audited)



Huffaz

Seamless Pipe Industries Limited

Committed to Excellence



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Corporate Directory

Chairman:

Muhammad Hafiz

Chief Executive:

Hafiz Abdul Majid

Executive Director:

Hafiz Abdul Haseeb

Board of Director:

Mr. Talal Yousuf Mohammed Najibi

Mr. Nabil Abdul Rahman Ahmed Arif

Mr. Fahad Abdul Aziz Eshaq A. Rehman

Mr. Muhammad Hafiz

Mr. Arshad Ahmed

Hafiz Abdul Wahed

Hafiz Abdul Sami

Hafiz Abdul Aleem

Hafiz Abdul Majid

Hafiz Abdul Haseeb

Mr. Nasir Mahmood (Independent Director)

Mr. Asghar Imam Khalid (Independent Director)

Mrs. Javeria Sami (Female Director)

Company Secretary:

Masood Anwar (FCMA)

Chief Financial Officer:

Muhammad Anwar Khan (FCA)

Audit Committee:

Mr. Nasir Mahmood Chairman

Mr. Muhammad Hafiz Member

Mr. Arshad Ahmed Member

Mr. Asghar Imam Khalid Member

Hafiz Abdul Sami (Reserved member)

Human Resource and Remuneration Committee:

Mr. Nasir Mahmood (Chairman)

Mr. Muhammad Hafiz

Mr. Arshad Ahmed

Hafiz Abdul Aleem

Hafiz Abdul Majid

Auditors:

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

Legal Advisor

M/s. Masood Aziz & Associate

First Floor State Life Building No.3. 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 Alfalah Ltd.

Sindh Bank Limited

Faysal Bank Ltd.

Standard Chartered

Habib Bank Ltd.

Dubai Islamic Bank Ltd.

MCB Bank Ltd.

Soneri Bank Ltd.

Meezan Bank Ltd.

UBL Bank Limited

National Bank of Pakistan

Registered Office:

207-210 Second Floor Mashriq Centre,

Block-14, Gulshan-e-Iqbal, Karachi.

Tel: (92-21) 34146241-3

Factory:

90KM Super Highway, 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.





ISO 9001

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"



Directors' Review Report

Dear Shareholders,

Assalam-o-Alaikum

The Directors are pleased to present the unaudited condensed interim financial information for the ninth months period ended March 31, 2020. This condensed interim financial information is presented in accordance with the requirements of Companies Act, 2017 and the Code of Corporate Governance Regulations, 2019.


The Company's sales turnover for three quarters declined to Rs. 341.615 million as compare to Rs. 438.785 million in the corresponding period last year mainly due to low domestic and international demand. The domestic and international industries is focusing on cheap imports from China. Further no relief is being provided from government side to domestic industry, such as custom duty is imposed on steel products that results in increased product cost. The Covid-19 was also affected on the Company's operational performance especially last two months of February & March 2020, but still the Company brought the Positive results in the shape of Gross Profit and Net Profit.

Further, 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 (Turkmenistan-Afghanistan-Pakistan-India) gas pipe line from Central Asia to Pakistan and India. The IP pipeline would begin from South field of Iran to end at Nawabshah with a total distance to 1,125 miles (1931 km). The pipeline would run 133 miles in Turkmenistan, 480 miles through Afghanistan (including the cities of Herat and Kandahar), and 512 miles across Pakistan (including Quetta and Multan). The work has begun in Turkmenistan and likely to begin here in Pakistan at the end of 2021. Along with it, the agreement on 1100 km North South pipe line has been signed between Russian and Pakistan and work thereon is likely to begin shortly. Another project of off-Shore Gas Pipelines is also in process and MoUs between Russia and Pakistan been signed. 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 quarters, with increasing demand for line pipe coatings. We are hopeful that the business activity will pick up during the year.

The Board of Directors of the Company places on record its gratitude to valued shareholders, banks, financial institutions and customers whose co-operation, continued support and patronage have enabled the Company to improve continuously. During the period under review, relation between the management and the employees remained cordial and we wish to place on record our appreciation for the dedication and hard work of the staff and workers of the Company.

For and on behalf of the Board of Directors




Hafiz Abdul Majid
Chief Executive

Karachi: February 20, 2021

HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

		March 31, 2020	June 30 2019
		Un-Audited	Audited
		-----Rupees in '000-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,979,252	5,080,282
Long-term deposits		6,936	6,936
Investment	6	<u>241,846</u>	<u>242,121</u>
		5,228,034	5,329,339
Current assets			
Stores and spares		67,058	71,583
Stock-in-trade	7	1,419,029	1,470,640
Trade debts-considered good	8	37,956	71,201
Loan, advances, trade deposits and short term prepayments	9	57,121	88,439
Other receivables	10	138,240	33,479
Advance tax - net of provision		(893)	(2,962)
Cash and bank balances		4,549	10,428
		<u>1,723,060</u>	<u>1,742,808</u>
TOTAL ASSETS		<u>6,951,094</u>	<u>7,072,147</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
70,000,000 (June 2018: 70,000,000) ordinary share of Rs.10 each		<u>700,000</u>	700,000
Share capital			
Issued, subscribed and paid-up capital		554,844	554,844
Capital reserve			
Share premium		109,437	109,437
Surplus on revaluation of property, plant and equipment - net of tax	11	2,928,441	2,997,349
Revenue reserve			
General reserve		40,000	40,000
Unappropriated profit		1,435,546	1,352,809
TOTAL SHAREHOLDERS' EQUITY		<u>5,068,268</u>	<u>5,054,439</u>
LIABILITIES			
Non-current liabilities			
Deferred liabilities		<u>1,157,620</u>	1,175,302
		1,157,620	1,175,302
Current liabilities			
Trade and other payables	12	642,461	758,607
Short-term sponsors' advances	13	82,745	83,180
Current portion of non-current liabilities-secured		-	619
		<u>725,206</u>	<u>842,406</u>
TOTAL LIABILITIES		<u>1,882,826</u>	<u>2,017,708</u>
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		<u>6,951,094</u>	<u>7,072,147</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director




HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Note	Nine months period ended	
		March 31, 2020	March 31, 2019
		-----Rupees in '000-----	
Net sales		341,615	438,785
Cost of sales	15	(277,760)	(301,649)
Gross profit		63,855	137,136
Selling and Distribution expenses		(9,500)	(6,655)
Administrative expenses		(22,628)	(47,854)
		(32,128)	(54,509)
Other operating expenses	16	31,727	82,627
Other income		(6,481)	(4,718)
		9,809	16,852
Finance cost	17	35,055	94,761
		(25,217)	(59,420)
Profit before taxation		9,838	35,341
Taxation	18	6,001	(11,074)
Profit for the period		15,839	24,267
		-----Rupees-----	
Earnings per share - basic and diluted		0.29	0.44
		-----Rupees in '000-----	
Earnings before interest, tax, depreciation and amortisation (EBITDA)		187,224	226,743

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director

HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Nine months period ended	
	March 31, 2020	March 31, 2019
	-----Rupees in '000-----	
Profit for the period	15,839	24,267
Other comprehensive income	2,009	-
Total comprehensive income for the period	17,848	24,267

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.



Hafiz Abdul Majid
Chief Executive




Hafiz Abdul Sami
Director

HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2020

	<u>Nine months period ended</u>	
	March 31, 2020	March 31, 2019
Note	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,838	35,341
Adjustments for:		
Depreciation	126,952	132,727
Loss on investment	206	-
Finance cost	25,217	59,420
Workers profit participation fund	657	1,682
Workers' Welfare Fund	2,648	3,036
Provision for compensated absences	977	-
Provision for staff gratuity	12,749	10,434
	<u>169,406</u>	<u>207,299</u>
Operating cash flows before working capital changes	179,244	242,640
Changes in working capital (Decrease)/Increase in current assets		
Stores and spares	4,525	836
Stock-in-trade	51,611	(30,566)
Trade Debts	33,245	9,547
Loans and Advances, Trade Deposits and other receivables	(73,443)	(4,653)
	15,938	(24,836)
(Decrease)/Increase in current Liabilities		
Trade and other payables	(116,765)	(44,996)
Cash Generated from Operations	78,417	172,808
Finance Cost paid	(361)	(63,920)
Staff Gratuity paid	(25,124)	(5,934)
Workers welfare fund paid	-	(7,704)
Income tax paid	(32,814)	(9,308)
	(58,299)	(86,866)
Net cash from/(used in) operating activities	20,118	85,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(24,943)	(40,100)
Long Term investment in Subsidiary	-	(161)
Net cash used in investing activities	(24,943)	(40,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term sponsors' advances paid	(435)	(6,820)
Payment made for assets under diminishing musharika financing	(619)	(1,088)
Short term borrowings	-	(35,029)
Net cash used in financing activities	(1,054)	(42,937)
Net (decrease)/increase in cash and cash equivalents	(5,879)	2,744
Cash and cash equivalents at the beginning of the period	10,428	5,922
Cash and cash equivalents at the end of the period	<u>4,549</u>	<u>8,666</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.


Hafiz Abdul Sami


Hafiz Abdul Sami


Huffaz Seamless Pipe Industries Limited

Statement of Changes in Equity

For the period ended 31 March 2020

	Issued, Subscribed & Paid-up Capital	Share Premium	General Reserve	Revaluation Surplus	Unappropriated Profit	Total
----- (Rupees in '000) -----						
Balance as at 01 July 2017	554,844	109,437	40,000	3,241,684	897,960	4,843,925
Total comprehensive income for the year						
Profit for the year	-	-	-	-	67,874	67,874
Reveral of surplus on revaluation	-	-	-	(50,514)	-	(50,514)
Other comprehensive income	-	-	-	196,162	(1,194)	194,968
Total comprehensive income for the year	-	-	-	145,648	66,680	212,328
Suplus realised on transfer	-	-	-	(196,162)	196,162	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	(98,988)	98,988	-
Balance as at 30-Jun-2018	<u>554,844</u>	<u>109,437</u>	<u>40,000</u>	<u>3,092,182</u>	<u>1,259,790</u>	<u>5,056,253</u>
Balance as at 01 July 2018	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 property, plant and equipment - net of deferred tax	-	-	-	(94,833)	94,833	-
Balance as at 30 June, 2019	<u>554,844</u>	<u>109,437</u>	<u>40,000</u>	<u>2,997,349</u>	<u>1,352,809</u>	<u>5,054,439</u>
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						
Profit for the year ended Mar 31, 2020	-	-	-	-	15,839	15,839
Other comprehensive income	-	-	-	-	(2,009)	(2,009)
Total comprehensive income for nine months	-	-	-	-	13,830	13,830
Transfer from property, plant and equipment - net of deferred tax	-	-	-	(68,907)	68,907	-
Balance as at 31 March 2020	<u>554,844</u>	<u>109,437</u>	<u>40,000</u>	<u>2,928,442</u>	<u>1,435,546</u>	<u>5,068,269</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director

HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2020

1. STATUS AND NATURE OF BUSINESS

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** This is stand alone financial information of Huffaz Seamless Pipe Industries Limited. Consolidated financial information has not been prepared by the Company as disclosed in Note-6

2. BASIS OF PREPARATION

2.1 Statement of Compliance

- 2.1.1** This condensed interim financial information of the Company for nine months period ended 31 March 2019 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial reporting. This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable In Pakistan for Interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

International Accounting Standard (IAS) 34 'Interim Financial Reporting issued by the International Accounting 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 IAS 34, the provisions of and directives Issued under the Companies Act, 2017 have been followed.

- 2.1.2** This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017. .
- 2.1.3** This condensed interim financial information does not include all the information and disclosures required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.

2.2 Basis of measurement

This financial information has 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.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, estimates, judgments and the methods of computation adopted in the preparation of this condensed

interim financial informations are the same as those applied in preparation of annual financial statements of the Company for the year ended June 30, 2018.

3.1 New standards, amendments and interpretation to published approved accounting and reporting standards which are effective during the nine months period ended March 31, 2019

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to that two new standards (i.e. IFRS 9 and IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made in light of the following paragraphs:

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standard do not have any significant impact on these condensed interim financial information of the Company.

3.2 New standards and amendments to published approved accounting and reporting standards that are not yet effective.

There is a new standard, certain amendments and an interpretation to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2018.

5.	PROPERTY, PLANT AND EQUIPMENT	Note	March 31,	June 30,
			2020	2019
			(Un-Audited)	(Audited)
----- Rupees in '000 -----				
	Operating fixed assets	5.1	4,902,036	5,028,007
	Capital work-in-progress	5.2	77,216	52,275
			<u>4,979,252</u>	<u>5,080,282</u>

5.1 Details of additions and disposals to operating fixed assets are as under:

	March 31, 2019 (Un-Audited)		June 30, 2019 (Audited)	
	Additions/ Disposals at Book	Transfer/ Disposals at Book	Additions/ Disposals at	Transfer/ Disposals at
	----- Rupees in '000 -----			
Land - lease hold	-	-	-	-
Building - factory	-	-	6	-
Coating Sheds	-	-	-	-
Building - head office	-	-	-	-
Plant and machinery	-	-	-	-
Electric and gas appliances	-	-	3,950	-
Motor vehicles	-	-	11	-
Computer and allied equipment	-	-	-	-
			<u>3,967</u>	<u>-</u>

March 31,
2020
(Un-Audited)
----- Rupees in '000 -----

June 30,
2019
(Audited)

5.2 Additions to capital work-in-progress and transfer to operating fixed assets during the period are as follows:

Opening Balance	-	-
Additions	77,216	52,275
Transfers	-	-
		<u>77,216</u>
		<u>52,275</u>

6. INVESTMENT

HPY Coating (Pvt.) Ltd.	6.1	241,846	242,121
		<u>241,846</u>	<u>242,121</u>

6.1 The above represents investment in joint venture company. The company has transferred Land and Building to the investee company at fair value on the basis of a revaluation of properties carried out by an independent valuer wide their revaluation report dated June 30 ,2017

6.2 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.

6.3 OPERATING STATUS

The joint venture company did not commence operating activities as yet.

	March 31, 2020 (Un-Audited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
7. STOCK-IN-TRADE		
Raw material - in hand	73,145	182,626
Work-in-process	127,982	61,620
Finished goods	1,081,546	1,054,302
Rejection / scrap material	136,356	172,092
	<u>1,419,029</u>	<u>1,470,640</u>
8. TRADE DEBTS		
Considered good	<u>37,956</u>	<u>93,951</u>
9. LOAN, ADVANCES, TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Considered good-unsecured		
- Advances to suppliers	10,170	12,434
- Employees for business related expenses	6,875	5,406
- Short term loan to HPY Coating	20,828	20,828
- Loans and advances to employees	8,719	11,110
	46,592	49,778
Trade deposits	10,529	38,661
	<u>57,121</u>	<u>88,439</u>
10. OTHER RECEIVABLES		
Letter of credit	77,049	-
Margin against guarantee	30,625	33,479
Sales tax refundable	30,566	-
	<u>138,240</u>	<u>33,479</u>
11. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX		
As at July 1,		
Leasehold Land	800,581	797,175
Factory building, plant and machinery and coating sheds	3,149,287	3,286,261
Revaluation arising during the period	-	-
Transfer of assets	-	-
	3,949,868	4,083,436
Less: transferred to unappropriated profit:		
- Surplus on revaluation of property, plant and equipment realized during the period on account of incremental depreciation charged thereon - net of tax	(68,907)	(94,833)
- Related deferred tax	(26,797)	(38,735)
	<u>(95,704)</u>	<u>(133,568)</u>
	3,854,164	3,949,868

March 31, **June 30,**
2020 **2019**
(Un-Audited) **(Audited)**
----- Rupees in '000 -----

Less: related deferred tax liability on:

- Revaluation as at July 1,	(952,519)	(991,254)
- (Deficit) / Surplus arising during the period		
- Incremental depreciation charged during the period on related assets transferred to profit and loss account	26,797	38,735
- Effect of change in tax rates		
	(925,722)	(952,519)
	2,928,441	2,997,349

12. TRADE AND OTHER PAYABLES

Trade creditors	12.1	23,993	23,519
Accrued liabilities		32,546	42,829
Sales tax payable		(8,839)	17,718
Tax deducted at source		30,346	33,797
Workers' profit participation fund	12.2	383,797	358,284
Workers' welfare fund		16,649	14,001
Bills payable		73,738	131,009
Advance from customers	12.1	69,835	117,523
Provision for compensated absences		15,090	14,113
Gratuity due but not yet paid		3,910	4,418
Others		1,396	1,396
		642,461	758,607
12.2 Workers' Profit Participation Fund			
Balance as at July 1,		358,284	317,431
Allocation for the period		657	1,967
Interest on outstanding balance		24,856	38,885
Balance as at December 31,		383,797	358,283

13 SHORT-TERM SPONSORS' ADVANCES - unsecured

This represents unsecured and interest free advance from sponsors repayable on demand.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Guarantees as at March 31, 2020 amounting to Rs. 17.337 million (June 30, 2019: Rs. 23.569 million) have been furnished in favour of various customers.

14.1.2 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, while considering itself as industrial consumer, has accrued (but not paid) GID Cess amounting to Rs. 1.923 million at the rate of Rs. 100 per MMBTU from June 2015.

14.2 Commitments

14.2.1 Commitments under letters of credit as at March 31, 2020 amounted to Rs. 153 million (June 30, 2019: Rs. 111 mil).

14.2.2 The facility for opening letters of credit and guarantees as at March 31, 2020 amounted to Rs. 500 million (June 30, 2019: Rs. 500 million).

15. COST OF SALES	Note	Nine months period ended	
		March 31, 2020 (Un-Audited)	March 31, 2019 (Un-Audited)
----- Rupees in '000 -----			
Opening stock of finished goods		1,054,302	835,718
Cost of goods manufactured	16.1	305,003	396,909
		<u>1,359,305</u>	<u>1,232,627</u>
Closing stock of finished goods		(1,081,546)	(930,978)
Total Cost of Sales		<u>277,759</u>	<u>301,649</u>
15.1 Cost of goods manufactured			
Raw material consumed	15.1.1	112,288	126,384
Depreciation		126,228	131,960
Other Manufacturing Expenses		97,114	144,371
		<u>335,630</u>	<u>402,715</u>
Rejection / scrap material			
Opening		172,092	206,188
Closing		(136,357)	(228,394)
		35,735	(22,206)
Work in process			
Opening		61,620	38,023
Closing		(127,982)	(21,623)
		(66,362)	16,400
		<u>305,003</u>	<u>396,909</u>
15.1.1 Raw material consumed			
Opening stock		182,626	131,299
Purchases		2,808	200,220
		<u>185,434</u>	<u>331,519</u>
Closing stock		(73,145)	(182,626)
		<u>112,289</u>	<u>148,893</u>
16. OTHER OPERATING EXPENSES			
Workers' Welfare Fund		2,648	3,036
Exchange loss / (gain)		3,176	-
Workers' Profit Participation Fund		657	1,682
		<u>6,481</u>	<u>4,718</u>

17. FINANCE COST

Profit paid on musharaka	-	96
Interest on Workers' Profit Participation Fund	24,856	56,079
Mark-up on short term borrowing-BAFL	-	2,500
Bank charges	361	745
	<u>25,217</u>	<u>59,420</u>

18. TAXATION

Current	26,440	44,018
Deferred	(32,441)	(32,944)
	<u>(6,001)</u>	<u>11,074</u>

- 18.1** Income tax assessment has been made in the current year under section 122(9) of the income tax ordinance, 2001, there have been no significant additional tax amount demanded by income tax department.
- 18.2** Income tax assessment prior to tax year 2018 has been assessed under deemed provision of the income tax ordinance,2001.
- 18.3** 29% tax rate for the year 2020 is applied. Accordingly, deferred tax liability has been recorded on the basis of tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds.

Transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	March 31, 2020 (Un-Audited)	June 30 2019 (Audited)
			----- Rupees in '000 -----	
Hafiz Abdul Waheed and Brothers	Associated company	Sale of goods	-	-
		Receipts in respect of sale of goods	1,853	23,437
Huffaz Corporation	Associated company	Sale of goods	5,006	433
		Receipts in respect of sale of goods	13,129	3,052
HPY Coating (Private) Limited	Joint Venture	Investment	241,846	242,121
Directors	Related party	Sponsors' advances received	10,175	28,752
		Sponsors' advances paid	10,610	11,181
Remuneration of key management	Related party	Remuneration	15,315	17,815

Balance receivable/(payable) as at March 31, 2019 with related parties are as follows:

Name	Nature of relationship	Nature of balance	March 31, 2020 (Un-Audited)	June 30, 2019 (Audited)
			----- Rupees in '000 -----	
Hafiz Abdul Waheed and Brothers	Associated company	Balance as at the date of Balance Sheet	(6,714)	(4,859)
Huffaz Corporation	Associated company	Balance as at the date of Balance Sheet	(5,291)	2,832
HPY Coating (Private) Limited	Joint Venture	Balance as at the date of Balance Sheet	20,828	20,828
Directors	Related party	Balance as at the date of Balance Sheet	(82,745)	(83,180)

20. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on **Feb 20, 2021**.

21. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director



Huffaz

Seamless Pipe Industries Limited

Committed to Excellence

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Mashriq Centre,
Block 14, Gulshan-e-Iqbal, Karachi.

Factory:

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Nooriabad Industrial Estate,
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