

Condensed Interim Financial Information
for the Third Quarter period ended
March 31, 2019
(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 Directors:

Mr. Talal Yousuf Mohammed Najibi

Mr. Nabil Abdul Rahman Ahmad Arif

Mr. Fahad Abdul Aziz Eshaq A.Rehman

Mr. Muhammad Hafiz

Mr. Arshad Ahmed

Hafiz Abdul Waheed

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:

Mr. Usama Ahmed, FCMA

Head of Internal Audit:

Mr. Muhammad Musab, ACA

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.

Askari Bank Ltd.

Bank Alfiah Ltd.

Faysal Bank Ltd.

Habib Bank Ltd.

MCB Bank Ltd.

Meezan Bank Ltd.

National Bank of Pakistan

Habib Metropolitan Bank

Silk Bank Ltd.

Sindh Bank Limited

Standard Chartered

Dubai Islamic Bank Limited

Soneri Bank Ltd.

UBL Bank Limited

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.com.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 have the pleasure in presenting to you the unaudited condensed interim financial information for nine months period ended March 31, 2019. This condensed interim financial information is presented in accordance with the requirements of Companies Act, 2017 and the Code of Corporate Governance Regulations, 2017.

The Company's sales turnover for nine months period declined to Rs. 438.8 million as compared to Rs. 622.5 million in the corresponding period last year mainly due to low domestic and international demand and slip of Pak Rupee against US Dollar. Because Steel prices have come down internationally due to demand slowdown in key global markets and this is likely to remain under pressure in near future as well. Imports from countries like China continue to increase at significantly lower prices thus putting pressure on the Company to lower its prices.

However, the Company is now actively adding products range in order to enhance its top line. 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. 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 OGDCL to come to Pakistan in the sector and to invest billions in drilling and developing the gas reserves of the Country. The discovery of humungous off shore oil reserves in Pakistan is another factor why the Company is expecting a steep growth in the demand of its products.

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: April 25, 2019

HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

		March 31, 2019 Un-Audited	June 30, 2018 Audited
	Note	-----Rupees in '000-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,108,725	5,201,352
Long-term deposits		6,936	6,936
Investment	6	243,348	243,187
		5,359,009	5,451,475
Current assets			
Stores and spares		72,148	72,984
Stock-in-trade	7	1,241,794	1,211,228
Trade debts-considered good	8	93,951	103,498
Loan, advances, trade deposits and short term prepayments	9	73,798	63,174
Other receivables	10	59,683	65,654
Advance tax - net of provision		282	34,992
Cash and bank balances		8,666	40,951
		1,550,322	1,592,481
TOTAL ASSETS		6,909,331	7,043,956
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
70,000,000 (June 2018: 70,000,000) ordinary share of Rs.10 each		700,000	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	3,021,057	3,092,182
Revenue reserve			
General reserve		40,000	40,000
Unappropriated profit		1,355,182	1,259,790
TOTAL SHAREHOLDERS' EQUITY		5,080,520	5,056,253
LIABILITIES			
Non-current liabilities			
Long-term financing-secured		948	1,986
Deferred liabilities		1,150,705	1,181,752
		1,151,653	1,183,738
Current liabilities			
Trade and other payables	12	617,250	697,659
Short-term sponsors' advances	13	58,816	65,636
Short-term borrowings-secured	14	-	35,029
Current portion of non-current liabilities-secured		1,092	1,142
Accrued mark-up		-	4,500
		677,158	803,966
TOTAL LIABILITIES		1,828,811	1,987,703
CONTINGENCIES AND COMMITMENTS			
	15		
TOTAL EQUITY AND LIABILITIES		6,909,331	7,043,956

The annexed notes from 1 to 22 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, 2019

	Note	Nine months period ended		Three months Period Ended	
		March 31,	March 31,	March 31,	March 31,
		2019	2018	2019	2018
		-----Rupees in '000-----		-----Rupees in '000-----	
Net sales		438,785	622,524	110,471	189,270
Cost of sales	16	(301,649)	(553,999)	13,820	(174,192)
Gross profit		137,136	68,525	124,291	15,078
Selling and Distribution expenses		(6,655)	(6,594)	(1,251)	(2,354)
Administrative expenses		(47,854)	(53,697)	(14,475)	(7,864)
		(54,509)	(60,291)	(15,726)	(10,218)
Other operating expenses	17	82,627	8,234	108,565	4,860
Other income		(4,718)	(2,974)	(3,303)	(662)
		16,852	20,007	1,381	222
Finance cost	18	94,761	25,267	106,643	4,420
		(59,420)	(25,094)	(44,649)	(7,005)
Profit before taxation		35,341	173	61,994	(2,585)
Taxation	19	(11,074)	11,343	(57,213)	6,303
Profit for the period		24,267	11,516	4,781	3,718
-----Rupees-----					
Earnings per share - basic and diluted		0.44	0.21	0.09	0.07
-----Rupees in '000-----					
Earnings before interest, tax, depreciation and amortisation (EBITDA)		226,743	151,594	135,213	45,583

The annexed notes from 1 to 22 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, 2019

	Nine months period ended		Three months period ended	
	March 31,	March 31,	March 31,	March 31,
	2019	2018	2019	2018
	-----Rupees in '000-----		-----Rupees in '000-----	
Profit for the period	24,267	11,516	4,781	3,718
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	24,267	11,516	4,781	5,736

The annexed notes from 1 to 22 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, 2019


Half year ended
 March 31, March 31,
 2019 2018
 -----Rupees in '000-----

Note

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	35,341	173
Adjustments for:		
Depreciation	132,727	138,205
Amortisation	-	209
Finance cost	59,420	25,094
Late delivery charges	-	-
Workers profit participation fund	1,682	161
Workers' Welfare Fund	3,036	2,900
Provision for compensated absences	-	130
Provision for staff gratuity	10,434	7,000
	207,299	173,699
Operating cash flows before working capital changes	242,640	173,872
Changes in working capital (Decrease)/Increase in current assets		
Stores and spares	836	33,560
Stock-in-trade	(30,566)	137,374
Trade Debts	9,547	96,051
Loans and Advances, Trade Deposits and other receivables	(4,653)	(41,080)
	(24,836)	225,905
(Decrease)/Increase in current Liabilities		
Trade and other payables	(44,996)	(254,372)
Cash Generated from Operations	172,808	145,405
Finance Cost paid	(63,920)	(12,801)
Staff Gratuity paid	(5,934)	(4,538)
Workers welfare fund paid	(7,704)	-
Income tax paid	(9,308)	(38,312)
	(86,866)	(55,651)
Net cash from/(used in) operating activities	85,942	89,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(40,100)	(17,072)
Long Term investment in Subsidiary	(161)	(18,324)
Net cash used in investing activities	(40,261)	(35,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term sponsors' advances paid	(6,820)	(9,800)
Payment made for assets under diminishing musharika financing	(1,088)	-
Short term borrowings	(35,029)	-
Dividend paid	-	(50)
Net cash used in financing activities	(42,937)	(9,850)
Net (decrease)/increase in cash and cash equivalents	2,744	44,507
Cash and cash equivalents at the beginning of the period	5,922	(91,853)
Cash and cash equivalents at the end of the period	8,666	(47,346)
Cash and cash equivalent comprise:		
Short Term borrowings	-	(63,036)
Cash and bank balances	8,666	15,690
	8,666	(47,346)

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director

Committed to Excellence



HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2019

	Issued, subscribed and paid-up capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Revaluation Surplus on Property plant and E equipment	General reserve	Unappropriated profit	
----- Rupees in '000 -----						
Balance as at July 1, 2017	554,844	109,437	3,241,684	40,000	897,960	4,843,925
Total comprehensive income for the period						
Profit for the period	-	-	-	-	11,516	11,516
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	11,516	11,516
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	-	-	(74,241)	-	74,241	-
Balance as at March 31, 2018	554,844	109,437	3,167,443	40,000	983,717	4,855,441
Balance as at July 1, 2018	554,844	109,437	3,092,182	40,000	1,259,790	5,056,253
Total comprehensive income for the period						
Profit for the period	-	-	-	-	24,267	24,267
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	24,267	24,267
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	-	-	(71,125)	-	71,125	-
Balance as at March 31, 2019	554,844	109,437	3,021,057	40,000	1,355,182	5,080,520

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director

Committed to Excellence



HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED MARCH 31, 2019

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.

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, 2019 (Un-Audited)	June 30, 2018 (Audited)
			----- Rupees in '000 -----	
	Operating fixed assets	5.1	5,072,592	5,201,352
	Capital work-in-progress	5.2	36,133	-
			<u>5,108,725</u>	<u>5,201,352</u>

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

	March 31, 2019 (Un-Audited)		June 30, 2018 (Audited)	
	Additions/	Transfer/ Disposals at Book	Additions/	Transfer/ Disposals at
	----- Rupees in '000 -----			
Land - lease hold	-	-	-	(7,331)
Building - factory	6	-	73,748	(123,024)
Coating Sheds	-	-	-	(5,811)
Building - head office	-	-	559	-
Plant and machinery	-	-	33,215	-
Electric and gas appliances	3,950	-	-	-
Motor vehicles	11	-	-	-
Computer and allied equipment	-	-	143	-
	<u>3,967</u>	<u>-</u>	<u>107,665</u>	<u>(136,165)</u>

March 31,
2019
(Un-Audited)
----- Rupees in '000 -----

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

Opening Balance	-	73,102
Additions	36,133	33,055
Transfers	-	(106,157)
	<u>36,133</u>	<u>-</u>

6. INVESTMENT

HPY Coating (Pvt.) Ltd.	6.1	243,348	243,187
		<u>243,187</u>	<u>243,187</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 ,2018

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, **June 30,**
2019 **2018**
(Un-Audited) **(Audited)**
----- Rupees in '000 -----

7. STOCK-IN-TRADE

Raw material - in hand	60,799	131,299
Work-in-process	21,623	38,023
Finished goods	930,978	835,718
Rejection / scrap material	228,394	206,188
	<u>1,241,794</u>	<u>1,211,228</u>

8. TRADE DEBTS

Considered good	<u>93,951</u>	<u>103,498</u>
Related parties from whom debts are due are as under:		
Hafiz Abdul Waheed and Brothers (Pvt) Limited	-	18,578
Huffaz Corporation (Pvt) Limited	-	-
	<u>-</u>	<u>18,578</u>

9. LOAN, ADVANCES, TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Considered good-unsecured

- Advances to suppliers	5,244	12,073
- Employees for business related expenses	6,461	5,608
- Short term loan to HPY Coating	20,828	20,678
- Loans and advances to employees	7,864	7,960
	40,397	46,319
Trade deposits	33,401	16,855
	<u>73,798</u>	<u>63,174</u>

10. OTHER RECEIVABLES

Letter of credit	5,948	3,308
Margin against guarantee	33,504	12,509
Sales tax refundable	20,231	49,837
	<u>59,683</u>	<u>65,654</u>

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

As at July 1,

Leasehold Land	797,175	804,378
Factory building, plant and machinery and coating sheds	3,286,261	3,486,138
Revaluation arising during the period	-	-
Transfer of assets	-	(50,514)
	4,083,436	4,240,002

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	(71,125)	(98,988)
- Related deferred tax	(29,051)	(57,578)
	<u>(100,176)</u>	<u>(156,566)</u>
	3,983,260	4,083,436

March 31,	June 30,
2019	2018
(Un-Audited)	(Audited)
----- Rupees in '000 -----	

Less: related deferred tax liability on:

- Revaluation as at July 1,
- (Deficit) / Surplus arising during the period
- Incremental depreciation charged during the period on related assets transferred to profit and loss account
- Effect of change in tax rates

(991,254)	(1,048,832)
	-
29,051	57,578
(962,203)	(991,254)
3,021,057	3,092,182

12. TRADE AND OTHER PAYABLES

Trade creditors	12.1	22,499	22,354
Accrued liabilities		40,211	32,291
Tax deducted at source		33,259	31,671
Workers' profit participation fund	12.2	375,193	317,431
Workers' welfare fund		9,005	13,763
Bills payable		93,401	93,401
Advance from customers	12.1	18,375	164,036
Provision for compensated absences		14,113	14,113
Gratuity due but not yet paid		9,800	7,197
Others		1,394	1,402
		617,250	697,659

12.1 Related parties from whom advances received against sales are as under:

Hafiz Abdul Waheed and Brothers (Pvt) Limited	4,859	-
Huffaz Corporation (Pvt) Limited	13,295	12,862
	18,154	12,862

12.2 Workers' Profit Participation Fund

Balance as at July 1,	317,431	290,469
Allocation for the period	1,682	946
Interest on outstanding balance	56,079	26,016
Balance as at December 31,	375,192	317,431

13 SHORT-TERM SPONSORS' ADVANCES - unsecured

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

14. SHORT TERM BORROWINGS

Restructured Term finances under mark-up arrangements	14.1	-	35,029
		-	35,029

14.1 The Company obtained the restructured short term loan facility from Bank Alfalah of Rs.200 million in 2017. The Markup on the facility was charged at the rate i.e KIBOR+3%. The loan was secured by way of first pari passu charged on Fixed Assets of the company, having value of Rs.550 million. The loan has been paid fully in this period along with markup thereon.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 Guarantees as at March 31, 2019 amounting to Rs. 17.337 million (June 30, 2018: Rs. 21.389 million) have been furnished in favour of various customers.

15.1.2 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.

15.2 Commitments

15.2.1 Commitments under letters of credit as at March 31, 2019 amounted to Rs. Nil (June 30, 2018: Rs. Nil).

15.2.2 The facility for opening letters of credit and guarantees as at March 31, 2019 amounted to Rs. 100 million (June 30, 2018: Rs. 500 million) of which the amount remaining unutilised as at that date was Rs. Nil (June 30, 2018: Rs. 235 million).

16. COST OF SALES

COST OF SALES		Nine months period ended		Nine months period ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Note	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
----- Rupees in '000 -----					
Opening stock of finished goods		835,718	652,336	827,365	710,058
Cost of goods manufactured	16.1	396,909	571,808	89,793	134,279
		1,232,627	1,224,144	917,158	844,337
Closing stock of finished goods		(930,978)	(670,145)	(930,978)	(670,145)
Total Cost of Sales		301,649	553,999	(13,820)	174,192

16.1 Cost of goods manufactured

Raw material consumed	16.1.1	126,384	215,212	32,170	50,996
Depreciation		131,960	137,151	43,847	45,805
Other Manufacturing Expenses		144,371	208,631	7,740	82,478
		402,715	560,994	83,757	179,279

Rejection / scrap material

Opening		206,188	83,787	204,247	123,157
Closing		(228,394)	(125,157)	(228,394)	(125,157)
		(22,206)	(41,370)	(24,147)	(2,000)

Work in process

Opening		38,023	161,085	51,806	65,901
Closing		(21,623)	(108,901)	(21,623)	(108,901)
		16,400	52,184	30,183	(43,000)
		396,909	571,808	89,793	134,279

16.1.1 Raw material consumed

Opening stock		131,299	375,568	60,799	245,527
Purchases		55,884	70,843	32,170	36,668
		187,183	446,441	92,969	282,195
Closing stock		(60,799)	(231,199)	(60,799)	(231,199)
		126,384	215,212	32,170	50,996

17. OTHER OPERATING EXPENSES

Workers' Welfare Fund		3,036	2,900	1,621	758
Exchange loss / (gain)		-	(87)	-	-
Workers' Profit Participation Fund		1,682	161	1,682	(96)
		4,718	2,974	3,303	662

18. FINANCE COST

Profit paid on musharaka		96	-	12	-
Interest on Workers' Profit Participation Fund		56,079	13,008	41,900	4,336
Mark-up on short term borrowing-BAFL		2,500	10,292	2,500	2,500
Bank charges		745	1,794	237	169
		59,420	25,094	44,649	7,005

19. TAXATION

Current		44,018	39,509	24,225	11,157
Deferred		(32,944)	(50,852)	32,988	(17,460)
		11,074	(11,343)	57,213	(6,303)

19.1 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.

19.2 Income tax assessment prior to tax year 2018 has been assessed under deemed provision of the income tax ordinance, 2001.

19.3 Finance Act, 2018 has introduced tax rates of 30%, 29% and 28% for the tax years 2018, 2019 and 2020 (and onwards), respectively. 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.

20. 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	Nine months period ended	
			March 31,	March 31,
			2019	2018
			(Un-Audited)	(Un-Audited)
----- Rupees in '000 -----				
Hafiz Abdul Waheed and Brothers	Associated company	Sale of goods	-	96,199
		Receipts in respect of sale of goods	23,437	77,708
Huffaz Corporation	Associated company	Sale of goods	(433)	16,306
		Receipts in respect of sale of goods	-	2,876
HPY Coating (Private) Limited	Joint Venture	Investment	311	243,187
Directors	Related party	Sponsors' advances received	126	4,844
		Sponsors' advances paid	6,946	14,644
Remuneration of key management	Related party	Remuneration	8,982	17,100

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

Name	Nature of relationship	Nature of balance	March 31, 2019	June 30, 2018
			(Un-Audited)	(Audited)
			----- Rupees in '000 -----	
Hafiz Abdul Waheed and Brothers	Associated company	Trade debts	-	18,578
		Trade and other payable	(4,859)	-
Huffaz Corporation	Associated company	Trade debts	-	-
		Trade and other payable	(13,295)	(12,862)
HPY Coating (Private) Limited	Joint Venture	Short term loan to HPY Coating	20,828	20,678
		Investment	243,348	243,187
Directors	Related party	Short-term sponsor's advances	(58,816)	(65,636)

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 25, 2019.

22. 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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