



INDUS MOTOR COMPANY LTD.

Condensed Interim Financial Information
For the Nine Months Ended March 31, 2016
(Un-audited)



Contents

02	Directors' Report
07	Condensed Interim Balance Sheet
08	Condensed Interim Profit and Loss Account
09	Condensed Interim Statement of Comprehensive Income
10	Condensed Interim Cash Flow Statement
11	Condensed Interim Statement of Changes in Equity
12	Notes to and forming part of the Condensed Interim Financial Information
19	Company Information

Directors' Report

For the nine months and quarter ended March 31, 2016

The Directors of Indus Motor Company Limited are pleased to present the un-audited accounts of the Company for the quarter and nine months ended March 31, 2016.

Pakistan Automobile Market

Overall positive consumer sentiment driven mainly by the favorable macroeconomic indicators of lower interest rate and inflation, coupled with drop in fuel prices enabled the auto industry to post impressive results for the 3rd quarter ended March 31, 2016.

Robust sales of passenger cars and light commercial vehicles resulted in the auto industry achieving a volume of 55,178 units for the quarter. Though the demand from individual customers grew, the volume for quarter was marginally down 1.8% from 56,212 units sold for same period 2015 on account of the culmination of the Punjab Government's 'Apna Rozgar' scheme in February 2016, whereas last year quarter benefited fully on account of this scheme. On nine months to March 2016, the industry volume registered an increase by 35% to 166,898 units compared to 123,638 vehicles sold in the same period last year.

The relative stability in car prices over 18 months was broken following a surprise announcement of 1% increase in custom duties by the GOP in late 2015 to bridge the fiscal deficit that saw all auto makers pass through this impact during the quarter. Meanwhile, influx of used car imports continued unabated as 44,838 vehicles entered the country during 9 months to March 2016, up 116% over the corresponding period last year.

The long awaited Automotive Development Policy was finally announced in March 2016 and we are pleased to note the underlying intent of the government to attract new OEMs to develop and grow the auto industry such that the domestic market is served by vehicles produced in Pakistan. We are concerned that the tariff concessions offered to new investors could potentially marginalize the part suppliers who are the backbone of the industry.

Company Review

The combined sales of CKD and CBU for the nine months ended March 2016 grew 19% to 48,004 units as against 40,425 units sold for the same period last year, resulting in market share of 24%. On third quarter basis, the demand for company products was down 1% to 17,023 units compared to 17,258 units sold for quarter ended March 2015.

Continuing with the strategy of providing new specs within existing products, a newer version of the popular Fortuner TRD and a spruced up version of Hilux was introduced to offer value proposition to our customers. Meanwhile, the new Corolla continues to attract customer attention and we expect to launch a newer version with minor modifications next month.

In order to fulfill the growing demand and shorten delivery time to the customer, the company operated its manufacturing facilities at full capacity throughout the nine months to March 2016, working daily overtime hours and off Saturdays to enhance output with a record production of 48,062 units, up 20% over 40,139 units produced during the same period last year.

Directors' Report

For the nine months and quarter ended March 31, 2016

The Company's net sales revenues for nine months to March 2016 increased by 17% to Rs 79.7 billion as compared to Rs 68.2 billion for the same period last year, while profit after tax increased by 38% to Rs 8.8 billion as against Rs 6.4 billion achieved for the same period last year. The increase in revenues and profits is mainly due to improved sales volumes and margins and tighter control on fixed overheads and costs, although both the net sales and profit after tax numbers for the quarter to March 2016 are marginally down compared to same period last year on account of sales mix and impact of the foreign exchange.

Based on the results recorded above, the Board of Directors is pleased to declare a third interim dividend of Rs 20 per share for the nine months ended March 2016, which on cumulative basis adds up to Rs 60 per share compared to Rs 40 per share for the same period last year.

Near Term Business Outlook

The last quarter of FY16 is expected to remain strong due to farmer liquidity from the agricultural income and general optimism flowing from likely benefits to accrue from the China Pakistan Economic Corridor projects. Notwithstanding the brighter outlook, the menace of power shortages, poor governance and crumbling road infrastructure in the vicinity of our operations is a huge burden to the industry that is adding significantly to the cost of doing business and eroding the country's competitive advantage. It is imperative these concerns are tangibly addressed on priority to restore business confidence and achieve efficiency for the auto sector that contributes enormously to the government revenue and is poised to further attract new players as a result of the Automotive Development Policy 2016-21.

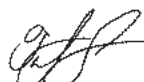
We anticipate 45,000 units of used cars to be imported during the current fiscal year. This is a staggering volume that hurts the future of the domestic industry and is gross misuse of used car import policy that is exploited by traders for commercial import of vehicles. The concessionary duties and valuations applied to these used vehicles create an unlevelled playing field that puts the local industry at severe disadvantage. We urge the government to revisit the valuation of used fully loaded vehicles (SRO577) and auto parts (Ruling 329), which would significantly increase GOP duties and tax revenues if valued at the prevailing market prices.

We are grateful to our customers for their continued patronage of our products and wish to acknowledge the efforts of the entire Indus team, including our staff, vendors, dealers and all business partners for their untiring efforts in these challenging times and look forward to their continued support.

April 22, 2016
Karachi



Parvez Ghias
Chief Executive & Director



Toshiya Azuma
Vice Chairman & Director

ڈائریکٹرز رپورٹ

برائے نو ماہ اور سہ ماہی ختمہ 31 مارچ 2016ء

بورڈ آف ڈائریکٹرز انڈس موٹر کمپنی انتہائی مسرت سے ادارے کے مالی سال کی 31 مارچ 2016ء کو ختم ہونے والی نو ماہ مدت اور سہ ماہی کے غیر جانچ شدہ (unaudited) حسابات (Accounts) پیش کرتے ہیں۔

پاکستان آٹو موبائل مارکیٹ

مرکزی طور پر کلاں اقتصادیات (macroeconomic) کے انڈیکیٹرز کے حق میں ہونے سمیت کم شرح سود اور افراط زر، ایندھن کی قیمتوں میں کمی اور ملک بھر میں امن وامان کی صورتحال میں مجموعی بہتری کی وجہ سے صنعت پر مثبت اثر پڑا اور اس کی وجہ سے تیسری سہ ماہی (3rd quarter) یعنی 31 مارچ 2016ء کو ختم ہونے والی سہ ماہی کے لئے انڈسٹری بہترین مالی نتائج پوسٹ کر سکی۔

مذکورہ سہ ماہی میں پسینچ کاروں اور لائٹ کمرشل گاڑیوں کی مستحکم فروخت 55,178 یونٹس رہی۔ حالانکہ انفرادی طور پر صارفین کی جانب سے طلب بڑھی مگر اس بار پیداوار 1.8 فیصد کم رہی جو کہ گزشتہ برس 2015ء کی اسی مدت میں 56,212 یونٹس رہی تھی اور اس کی وجہ حکومت پنجاب کی جانب سے شروع کردہ اور ماہ فروری میں ختم ہونے والی اپنا روز گار اسکیم تھی۔ جس کی وجہ سے گزشتہ سال کی سہ ماہی میں اس کا بھرپور فائدہ ہوا۔ مارچ 2016ء میں ختم ہونے والی نو ماہ کی مدت میں انڈسٹری کی فروخت کا حجم 35 فیصد بڑھا اور 166,898 یونٹس کی فروخت ہوئی، جب کہ گزشتہ برس اسی مدت کے دوران 123,638 یونٹس کی فروخت ہوئی تھی۔

اٹھارہ (18) ماہ کے دوران گاڑیوں کی قیمتوں میں نسبتاً استحکام رہا، جس میں حیرت انگیز طور پر حکومت پاکستان کی جانب سے 1 فیصد اضافہ کیا گیا جو کہ کسٹم ڈیوٹیز میں تھا، یہ اضافہ حکومت نے سال 2015ء کے آخر میں مالیاتی خسارے کو پورا کرنے کے لئے کیا تھا، جس کے اثرات تمام آٹو انڈسٹری پر اس سہ ماہی کے دوران پڑے۔ دریں اثناء، استعمال شدہ گاڑیوں کی درآمد بیلاروک ٹوک اس دوران جاری رہی اور مارچ 2016ء کے اختتام تک 44,838 یونٹس درآمد کئے گئے جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں 116 فیصد زائد ہیں۔

آٹو میوٹیوڈ ویلپمنٹ پالیسی کا، جس کا عرصہ دراز سے انتظار تھا، بالآخر مارچ 2016ء میں اعلان کر دیا گیا، اور ہمیں حکومت کا یہ ارادہ جان کر خوشی ہوئی کہ نئے OEMs کو آٹو صنعت کو پروان چڑھانے کے لئے مائل کیا جائے تاکہ مقامی مارکیٹ میں پاکستانی تیار کردہ گاڑیاں آئیں۔ ہمیں اندیشہ ہے کہ نئے سرمایہ کاروں کو پیش کردہ ٹیرف کی رعایتوں کے باعث پرزہ جات کے فراہم کاروں کی اہمیت میں کمی آجائے گی جو صنعت کے لئے ریڑھ کی ہڈی کی حیثیت رکھتے ہیں۔

کمپنی کا جائزہ

مارچ 2016ء کو ختم ہونے والی سہ ماہی میں مجموعی طور پر CKD اور CBU گاڑیوں کی فروخت میں 19 فیصد کی شرح سے اضافہ ہوا جن کی تعداد 48,004 یونٹس رہی، یہ تعداد گزشتہ برس کی اسی مدت کے مقابلے میں 40,425 یونٹس رہی تھی، اس کی وجہ سے مارکیٹ شیئر 24 فیصد رہا۔ تیسری سہ ماہی بنیاد پر کمپنی کی مصنوعات کی مانگ 1 فیصد کم ہو کر 17,023 یونٹس رہ گئی جبکہ مارچ 2015ء کو ختم ہونے والی سہ ماہی میں 17,258 یونٹس فروخت ہوئے تھے۔

صارفین کے لئے موجودہ مصنوعات میں نئی سہولیات کی فراہمی کی حکمت عملی جاری رہی، اور اس سلسلے میں انتہائی مقبول Fortuner TRD کا نیا ورژن اور ہائی لکس کا بہتر ورژن پیش کیا گیا۔ دریں اثناء، نئی کرو لانے اپنے بے مثال معیار اور قابل قدر ہونے کے ساتھ ساتھ ٹویٹا گاڑیوں کے روایتی وعدے کی وجہ سے صارفین کو متوجہ کرنا جاری رکھا، ہمیں امید ہے کہ اگلے ماہ ہم اس کا ایک نیا ورژن معمولی ترمیم کے ساتھ صارفین کو پیش کریں گے۔

صارفین کی بڑھتی ہوئی مانگ کو کم سے کم وقت میں پورا کرنے کے لئے ادھر اپنی تمام تر پیداواری صلاحیتیں بروئے کار لایا اور پیداوار میں اضافے کے لئے ہفتے کے دن بھی کام کرتے ہوئے مارچ 2016ء میں ختم ہونے والی نو ماہ کی مدت میں معمول سے زائد اوقات کار میں 48,062 یونٹس کی پیداوار حاصل کی گئی جو کہ گزشتہ برس کی اسی مدت کے مقابلے میں 20 فیصد زائد رہی جس کے دوران پیداوار 40,139 یونٹس رہی تھی۔

کمپنی کی فروخت کی خالص آمدنی کا حجم مارچ 2016ء تک کے نو ماہ تک 17 فیصد زائد کر 79.7 بلین روپے تک پہنچ گیا جو گزشتہ سال کی اسی مدت میں 68.2 بلین روپے تھا، جب کہ بعد از ٹیکس منافع 38 فیصد اضافے کے ساتھ 8.8 بلین روپے رہا جو کہ گزشتہ برس 6.4 بلین روپے رہا تھا۔ آمدنی اور منافع میں ریکارڈ اضافہ کے نمایاں محرکات میں فروخت کا بلند تر حجم اور متعین اخراجات اور لاگت پر سخت کنٹرول شامل ہیں۔ اگرچہ آمدنی اور بعد از ٹیکس منافع میں اضافہ مارچ 2016ء میں ختم ہونے والی سہ ماہی میں گزشتہ برس کی اسی مدت کے مقابلے میں نسبتاً کم ہے، مگر متعین اخراجات اور لاگوں پر کنٹرول کی وجہ اور سیلز کے بڑھنے سمیت زرمبادلہ کے اثرات کی وجہ سے مجموعی طور پر مثبت اثر پڑا۔

مندرجہ بالا نتائج کی بنیاد پر بورڈ آف ڈائریکٹرز نے مارچ 2016ء کو ختم ہونے والے نو ماہ کے لئے 20 روپے فی حصص پر مشتمل تیسرے عبوری منافع منقسمہ کا اعلان کیا ہے جو پہلے اعلان شدہ عبوری منافع منقسمہ کے ساتھ ملا کر 60 روپے فی حصص بنتا ہے جبکہ یہ مالی سال کی 31 مارچ 2015ء کو ختم ہونے والی نو ماہ مدت میں 40 روپے فی حصص تھا۔

مستقبل قریب میں کاروباری امکانات - ایک نظر

معاشی استحکام اور امن و امان کی مستحکم صورتحال کی وجہ سے مالی سال برائے 2015-16ء کی آخری سہ ماہی کے بارے میں توقع کی جاتی ہے کہ یہ آٹو انڈسٹری کے لئے بھی مستحکم ثابت ہوگی۔ پاک چین اکنامک کوریڈور پراجیکٹس، زرعی آمدنی کے چکر اور کسانوں کی ادائیگیوں میں بہتری (لیکویڈیٹی) دیہی علاقوں میں سازگار طلب پیدا کریں گے۔ مالی سال کے اختتام پر کمپنی کو بھاری آرڈر اور ٹینڈر کی بھی توقع ہے جس سے مزید مستحکم نتائج میں معاونت ہوگی۔ تاہم، بجلی کے بحران، کمزور حکمرانی اور مناسب بنیادی ڈھانچے کی عدم دستیابی، بنیادی طور پر نقل و حمل اور سڑکوں کے حالات صنعت پر بوجھ بنے رہیں گے، کاروباری لاگتوں میں اضافے کا باعث اور ملک کو مسابقتی فوائد کے حصول میں رکاوٹ بنے رہیں گے۔ یہ بات انتہائی ضروری ہے کہ آٹو میٹیو 2016-21 پالیسی کے نتیجے میں واضح طور پر سرمایہ کاروں کا اعتماد بحال کرنے، اور اس شعبے کو ترقی کی بلندیوں پر پہنچانے کے لئے یہ خدشات ترجیحی طور پر حل کرنے کے متقاضی ہیں۔

موجودہ مالی سال کے دوران 45,000 استعمال شدہ گاڑیوں کی درآمد متوقع ہے۔ یہ ایک بہت بڑی تعداد ہے جو مقامی صنعت کے مستقبل کے لئے مضر ہے اور اس بات کا مظہر ہے کہ تاجر گاڑیوں کی کمرشل درآمد کے لئے استعمال شدہ گاڑیوں کی درآمد کی پالیسی کا انتہائی ناجائز استعمال کرتے ہیں۔ ان استعمال شدہ گاڑیوں پر عائد شدہ رعایتی محصولات اور نرخوں کے باعث مسابقتی میدان غیر ہموار ہو جاتا ہے جس سے مقامی صنعت کو شدید نقصان ہوتا ہے۔ ہم حکومت سے اپیل کرتے ہیں کہ استعمال شدہ مکمل طور پر پریس گائیڈ (ایس آر او 577) اور گاڑیوں کے پرزہ جات (روانگ 329) کی ویلیویشن پر نظر ثانی کرے، کیونکہ اگر مارکیٹ میں رائج قیمتیں عائد کی جائیں تو حکومت کی محصولات اور ٹیکس کی آمدنی میں قابل ذکر اضافہ ہوگا۔

ہم اپنے صارفین کے شکر گزار ہیں کہ انہوں نے ہماری مصنوعات پر مسلسل اعتماد کیا۔ ہم انڈس کی پوری ٹیم، بشمول اسٹاف، وینڈرز، ڈیلرز اور تمام بزنس پارٹنرز، کی مشکل وقتوں میں انتھک محنت کو سراہنا چاہتے ہیں، اور اُمید کرتے ہیں ہمیں اُن کا مسلسل ساتھ حاصل رہے گا۔



توشیا ازوما

وائس چیئرمین اینڈ ڈائریکٹر



پرویز غیاث

چیف ایگزیکٹو اینڈ ڈائریکٹر

بتاریخ 22 اپریل 2016

کراچی

Condensed Interim Balance Sheet

As at March 31, 2016

	Note	March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
------(Rupees in '000)-----			
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,017,260	5,183,750
Intangibles		15,093	9,727
Long-term loans and advances		6,780	11,096
Long-term investments	5	4,992,685	4,954,764
Long-term deposits		9,948	9,667
Deferred taxation		172,369	5,295
		<u>10,214,135</u>	<u>10,174,299</u>
Current assets			
Stores and spares		173,184	178,599
Stock-in-trade		7,195,170	6,150,448
Trade debts		986,267	447,750
Loans and advances		71,438	1,220,574
Short-term prepayments		14,231	18,919
Accrued return		304,752	418,829
Other receivables		216,432	167,757
Short-term investments	6	32,931,004	26,256,886
Cash and bank balances		2,481,320	5,365,388
		<u>44,373,798</u>	<u>40,225,150</u>
TOTAL ASSETS		<u>54,587,933</u>	<u>50,399,449</u>
EQUITY			
Share capital			
Authorised capital			
500,000,000 (June 30, 2015: 100,000,000)			
ordinary shares of Rs 10 each		<u>5,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2015: 78,600,000)			
ordinary shares of Rs 10 each		<u>786,000</u>	<u>786,000</u>
Reserves		<u>25,808,899</u>	<u>23,249,520</u>
		<u>26,594,899</u>	<u>24,035,520</u>
LIABILITIES			
Current liabilities			
Trade, other payables and provisions		11,803,461	9,180,705
Advances from customers and dealers		15,146,986	16,192,918
Taxation - provision less payment		1,042,587	990,306
		<u>27,993,034</u>	<u>26,363,929</u>
TOTAL EQUITY AND LIABILITIES		<u>54,587,933</u>	<u>50,399,449</u>

CONTINGENCIES AND COMMITMENTS

7

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Parvez Ghias
 Chief Executive & Director


Toshiya Azuma
 Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the nine months and quarter ended March 31, 2016 (unaudited)

	Note	Nine months ended		Quarter ended	
		March 31		March 31	
		2016	2015	2016	2015
----- (Rupees in '000) -----					
Net sales	8	79,680,119	68,173,866	28,346,213	29,076,327
Cost of sales	9	(66,787,962)	(58,575,504)	(23,898,298)	(24,124,430)
Gross profit		12,892,157	9,598,362	4,447,915	4,951,897
Distribution expenses		(707,526)	(929,425)	(310,805)	(273,570)
Administrative expenses		(653,668)	(581,326)	(244,570)	(227,044)
Other operating expenses		(72,924)	(39,674)	(41,130)	(26,847)
		(1,434,118)	(1,550,425)	(596,505)	(527,461)
		11,458,039	8,047,937	3,851,410	4,424,436
Workers' Profit Participation Fund and Workers' Welfare Fund		(948,578)	(707,187)	(321,440)	(359,622)
		10,509,461	7,340,750	3,529,970	4,064,814
Other income		2,383,809	2,146,945	808,949	820,984
		12,893,270	9,487,695	4,338,919	4,885,798
Finance costs		(51,530)	(41,354)	(11,634)	(19,739)
Profit before taxation		12,841,740	9,446,341	4,327,285	4,866,059
Taxation		(3,994,361)	(3,024,333)	(1,374,764)	(1,587,200)
Profit after taxation		8,847,379	6,422,008	2,952,521	3,278,859
----- (Rupees) -----					
Earnings per share - basic and diluted		112.56	81.70	37.56	41.72

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Parvez Ghias
Chief Executive & Director



Toshiya Azuma
Vice Chairman & Director

Condensed Interim Statement of Comprehensive Income

For the nine months and quarter ended March 31, 2016 (unaudited)

	Nine months ended		Quarter ended	
	March 31		March 31	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Profit after taxation for the period	8,847,379	6,422,008	2,952,521	3,278,859
Other comprehensive income for the period - net of tax	-	-	-	-
Total comprehensive income for the period	8,847,379	6,422,008	2,952,521	3,278,859

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Parvez Ghias
Chief Executive & Director



Toshiya Azuma
Vice Chairman & Director

Condensed Interim Cash Flow Statement

For the nine months ended March 31, 2016 (unaudited)

Note	Nine months ended	
	March 31	
	2016	2015
	------(Rupees in '000)-----	

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	10	11,829,269	26,908,039
Workers' Welfare Fund paid		(291,393)	(100,330)
Interest received		1,682,874	1,279,616
Income tax paid		(4,109,159)	(1,420,645)
Movement in long-term loans and advances - net		4,316	15,438
Movement in long-term deposits		(281)	-
Net cash generated from operating activities		9,115,626	26,682,118

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(1,014,663)	(531,168)
Proceeds from disposal of property, plant and equipment	21,528	23,313
Purchase of Pakistan Investment Bonds	-	(4,912,071)
Investment in listed mutual fund units	(4,350,000)	(5,000,000)
Proceeds from redemption of listed mutual fund units	5,110,982	1,527,213
Purchase of Market Treasury Bills	(18,212,362)	(12,432,225)
Proceeds from redemption of Market Treasury Bills	10,215,000	13,900,000
Net cash outflow from investing activities	(8,229,515)	(7,424,938)


CASH FLOWS FROM FINANCING ACTIVITY

Dividend paid	(4,770,179)	(2,941,190)
Net (decrease) / increase in cash and cash equivalents during the period	(3,884,068)	16,315,990
Cash and cash equivalents at the beginning of the period	24,865,388	6,857,084
Cash and cash equivalents at the end of the period	20,981,320	23,173,074

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Parvez Ghias
Chief Executive & Director



Toshiya Azuma
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the nine months ended March 31, 2016 (unaudited)

	Share Capital	Reserves				
	Issued, subscribed and paid-up	Capital	Revenue		Sub-Total	Total
		Premium on issue of ordinary shares	General reserve	Unappropriated profit		
	----- (Rupees in '000) -----					
Balance as at July 1, 2014	786,000	196,500	14,851,050	4,082,102	19,129,652	19,915,652
Total comprehensive income for the nine months ended March 31, 2015		-	-	6,422,008	6,422,008	6,422,008
Transfer to general reserve for the year ended June 30, 2014 appropriated subsequent to year end	-	-	2,000,000	(2,000,000)	-	-
Transactions with owners						
Final dividend @ 235% for the year ended June 30, 2014 declared subsequent to year end	-	-	-	(1,847,100)	(1,847,100)	(1,847,100)
Interim Dividend @ 200%	-	-	-	(1,572,000)	(1,572,000)	(1,572,000)
Balance as at March 31, 2015	<u>786,000</u>	<u>196,500</u>	<u>16,851,050</u>	<u>5,085,010</u>	<u>22,132,560</u>	<u>22,918,560</u>
Balance as at July 1, 2015	786,000	196,500	16,851,050	6,201,970	23,249,520	24,035,520
Total comprehensive income for the nine months ended March 31, 2016		-	-	8,847,379	8,847,379	8,847,379
Transfer to general reserve for the year ended June 30, 2015 appropriated subsequent to year end	-	-	3,000,000	(3,000,000)	-	-
Transactions with owners						
Final dividend @ 400% for the year ended June 30, 2015 declared subsequent to year end	-	-	-	(3,144,000)	(3,144,000)	(3,144,000)
1st Interim Dividend @ 200%	-	-	-	(1,572,000)	(1,572,000)	(1,572,000)
2nd Interim Dividend @ 200%	-	-	-	(1,572,000)	(1,572,000)	(1,572,000)
Balance as at March 31, 2016	<u>786,000</u>	<u>196,500</u>	<u>19,851,050</u>	<u>5,761,349</u>	<u>25,808,899</u>	<u>26,594,899</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Parvez Ghias
Chief Executive & Director


Toshiya Azuma
Vice Chairman & Director

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company in December, 1989 and started commercial production in May 1993. The shares of the Company are quoted on the Pakistan Stock Exchange.

The Company was formed in accordance with the terms of a Joint Venture agreement concluded amongst the House of Habib, Toyota Motor Corporation and Toyota Tsusho Corporation for the purposes of assembling, progressive manufacturing and marketing of the Toyota vehicles. The Company also acts as the sole distributor of the Toyota and Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

The registered office of the Company and the factory is situated at Plot No. NWZ/1/P-1, Port Qasim Industrial Estate, Bin Qasim, Karachi.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2015.

The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2015.

2.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the nine months ended March 31, 2016

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard affects the determination of fair value and its related disclosures in the financial statements of the Company.

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.2 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

There are certain amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2015, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in this condensed interim financial information.

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied to the financial statements as at and for the year ended June 30, 2015.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.

	March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
	----- (Rupees in '000) -----	
4 PROPERTY, PLANT AND EQUIPMENT		
Operating assets	4,409,935	5,110,267
Capital work-in-progress	607,325	73,483
	<u>5,017,260</u>	<u>5,183,750</u>

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

4.1 Details of additions and disposals during the period are as follows:

	Additions (at cost)		Disposals (at cost)	
	Nine months ended		Nine months ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Tangible assets				
Leasehold land	-	70,000	-	-
Buildings on leasehold land:				
Factory	143,517	11,105	-	-
Others	35,654	146,242	-	-
Plant and machinery	145,266	307,618	52,494	46,994
Motor vehicles	82,661	50,855	34,394	34,589
Furniture and fixtures	918	9,566	-	643
Office equipment	31,404	14,974	1,100	1,745
Computers and related accessories	15,128	12,197	3,506	671
Tools and equipment	16,423	128,719	264	1,011
Jigs, moulds and related equipment	226	44,846	-	6,588
	<u>471,197</u>	<u>796,122</u>	<u>91,758</u>	<u>92,241</u>
Intangible assets				
Computer software	<u>9,624</u>	<u>6,212</u>	<u>-</u>	<u>-</u>

- 4.1.1 Additions to owned assets include transfers from capital work-in-progress amounting to Rs 353.089 million (March 31, 2015: Rs 499.165 million).

5	LONG-TERM INVESTMENTS	March 31,	June 30,
		2016	2015
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
	Held to Maturity		
	- Government securities - Pakistan Investment Bonds	<u>4,992,685</u>	<u>4,954,764</u>
6	SHORT-TERM INVESTMENTS		
	Investments 'at fair value through profit or loss'		
	- Mutual Fund Units	3,186,149	3,754,870
	Held to Maturity		
	- Government securities - Market Treasury Bills	11,244,855	3,002,016
	- Term Deposit Receipts (TDRs)	<u>18,500,000</u>	<u>19,500,000</u>
		<u>32,931,004</u>	<u>26,256,886</u>

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 The status of contingencies, as disclosed in the annual financial statements of the Company for the year ended June 30, 2015 has remained unchanged.

7.1.2 As at March 31, 2016, the claims not acknowledged as debt by the company amounts to Rs 1,029.390 million (June 30, 2015: Rs 965.260 million).

7.1.3 Contingencies in respect of outstanding bank guarantees at March 31, 2016 amounted to Rs 2,638.337 million (June 30, 2015: Rs 5,514.465 million). This includes an amount of Rs 1,234.456 million (June 30, 2015: Rs 2,122.129 million) in respect of bank guarantees from related parties.

7.2 Commitments

Commitments in respect of capital expenditure as at March 31, 2016 aggregate to Rs 652.699 million (June 30, 2015: Rs 392.911 million).

	Nine months ended		Quarter ended	
	March 31		March 31	
8 SALES	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Manufacturing				
Gross sales	91,289,170	78,733,419	32,828,196	33,869,586
Sales tax	(13,258,930)	(11,420,857)	(4,765,585)	(4,919,480)
	78,030,240	67,312,562	28,062,611	28,950,106
Commission	(2,337,985)	(2,063,755)	(845,845)	(883,855)
Discounts	(2,030)	(1,059)	(655)	(604)
Manufacturing net sales	75,690,225	65,247,748	27,216,111	28,065,647
Trading				
Gross sales	4,711,358	3,445,666	1,331,545	1,191,561
Sales tax	(497,511)	(371,707)	(128,402)	(122,965)
	4,213,847	3,073,959	1,203,143	1,068,596
Commission	(60,510)	(31,637)	(10,550)	(9,450)
Discounts	(163,443)	(116,204)	(62,491)	(48,466)
Trading net sales	3,989,894	2,926,118	1,130,102	1,010,680
Net sales	79,680,119	68,173,866	28,346,213	29,076,327
9 COST OF SALES				
Manufacturing	64,165,652	56,501,035	23,155,977	23,425,754
Trading	2,622,310	2,074,469	742,321	698,676
	66,787,962	58,575,504	23,898,298	24,124,430

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

	Note	Nine months ended	
		March 31	
		2016	2015
		------(Rupees in '000)-----	
10 CASH GENERATED FROM OPERATIONS			
Profit before taxation		12,841,740	9,446,341
Adjustment for non-cash charges and other items:			
Depreciation		1,167,017	1,154,515
Amortization		4,258	1,198
Gain on sale of fixed assets		(17,015)	(8,209)
Gain on redemption / revaluation of listed mutual fund units		(192,261)	(62,947)
Unrelaised gain on foreign exchange contracts & derivatives - net		(16,580)	(11,880)
Return on bank deposits		(1,138,597)	(1,168,651)
Income on Pakistan Investment Bonds		(430,197)	(312,728)
Amortization Income on Pakistan Investment Bonds		(37,921)	(29,873)
Income on Market Treasury Bills		(152,345)	(277,819)
Amortization Income on Market Treasury Bills		(93,131)	(14,354)
Workers' Profit Participation Fund		689,516	507,676
Workers' Welfare Fund		259,062	199,511
Provision for doubtful debts		5,966	232,258
Working capital changes	10.1	(1,060,243)	17,253,001
		11,829,269	26,908,039
10.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		5,415	(28,814)
Stock-in-trade		(1,044,722)	(3,329,704)
Trade debts		(544,483)	843,065
Loans and advances		1,149,136	(39,206)
Short-term prepayments		4,688	(21,623)
Other receivables		(34,468)	4,018
		(464,434)	(2,572,264)
(Decrease) / increase in current liabilities			
Trade, other payables and provisions		450,123	4,998,299
Advances from customers and dealers		(1,045,932)	14,826,966
		(595,809)	19,825,265
		(1,060,243)	17,253,001
10.2 Cash and Cash Equivalents			
Term Deposit Receipts (TDRs)	6	18,500,000	16,300,000
Cash and bank balances		2,481,320	6,873,074
		20,981,320	23,173,074

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

11 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

11.1 The associated undertakings / related parties comprise of associated companies, staff retirement funds and key management personnel. Transactions carried out with associated undertakings / related parties during the year are as follows:

	Nine months ended		Quarter Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
------(Rupees in '000)-----				
With associated undertakings / related parties:				
Sales	359,931	235,893	47,065	71,024
Purchases	35,716,945	31,707,345	12,646,442	11,876,735
Insurance premium	60,245	56,153	19,073	18,513
Agency commission	84,759	190,126	19,212	6,751
Running royalty	1,845,347	1,513,859	664,241	647,528
Rent expense	1,512	8,172	504	2,724
Return on bank deposits	545,152	936,719	167,821	421,239
Proceeds from disposal of fixed assets / insurance claim	876	6,314	339	183
Donations	22,415	23,550	20,000	22,050
Bank charges	31,847	30,624	10,496	11,086
LC charges	6,620	4,711	2,950	519
Contribution to retirement benefit funds	51,394	42,247	18,866	16,054
With key management personnel:				
- Salaries and benefits	96,340	87,656	33,554	32,958
- Post employment benefits	5,549	4,435	1,895	1,593
- Sale of fixed assets	2,835	2,016	890	-

The related party balances outstanding as at period / year end are as follows:

	March 31,	June 30,
	2016	2015
	(Un-audited)	(Audited)
------(Rupees in '000)-----		
Nature of balances		
Long-term deposits	2,005	2,005
Short-term prepayments	2,491	6,117
Accrued return	85,697	114,058
Bank balances	10,321,830	12,783,289
Warranty claims and agency commission	44,014	93,577
Trade, other payables and provisions	2,358,542	2,590,153

11.2 During the period Rs 0.750 million (March 31, 2015: Rs 0.500 million) was paid as director fee to an independent director.

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2016 (unaudited)

12 SEGMENT REPORTING

	Nine months ended March 31, 2016			Nine months ended March 31, 2015		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	75,690,225	3,989,894	79,680,119	65,247,748	2,926,118	68,173,866
Profit before taxation	11,381,511	1,460,229	12,841,740	8,457,570	988,771	9,446,341
	Quarter ended March 31, 2016			Quarter ended March 31, 2015		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	27,216,111	1,130,102	28,346,213	28,065,647	1,010,680	29,076,327
Profit before taxation	3,924,142	403,143	4,327,285	4,550,079	315,980	4,866,059

13 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 22, 2016 have proposed a third interim cash dividend of Rs 20 per share (March 31, 2015: Rs 20 per share) in respect of the year ending June 30, 2016. The condensed interim financial information for the nine months ended March 31, 2016, does not include the effect of this dividend which will be accounted for in the annual financial information for the year ending June 30, 2016.

14 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of better presentation and comparison.

15 DATE OF AUTHORISATION FOR ISSUE


This condensed interim financial information was authorised for issue on April 22, 2016 by the Board of Directors of the Company.

16 GENERAL

Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees.



Parvez Ghias
Chief Executive & Director



Toshiya Azuma
Vice Chairman & Director

Company Information

Board of Directors

Mr. Ali S. Habib	Chairman
Mr. Toshiya Azuma	Vice Chairman
Mr. Parvez Ghias	Chief Executive
Mr. Farhad Zulficar	Director
Mr. Mohamedali R. Habib	Director
Mr. Kyoichi Tanada	Director
Mr. Masato Yamanami	Director
Mr. Yoshiyuki Matsuo	Director
Mr. Azam Faruque	Independent Director
Mr. Raza Ansari	Director

Chief Financial Officer

Mr. Mohammad Ibadullah

Company Secretary

Ms. Anam Fatima Khan

Audit Committee Members

Mr. Mohamedali R. Habib	Committee Chairman
Mr. Farhad Zulficar	Member
Mr. Kyoichi Tanada	Member
Mr. Masato Yamanami	Member
Mr. Azam Faruque	Independent Director
Mr. Raza Ansari	Member
Mr. Ahmed Waseem Khan	Secretary

Auditors

A.F. Ferguson & Co.
Chartered Accountants,
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi.

Legal Advisors

A.K. Brohi & Company
Mansoor Ahmed Khan & Co.
Mahmud & Co.
Sayeed & Sayeed.

Bankers

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

Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.

Tel: 0800 - 23275

Fax: (92-21) 34326053

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