



Quarterly & Half Yearly
Accounts (Un-Audited)
December 31, 2017



Sazgar Engineering Works Limited





Contents

| | |
|--|-----------|
| Vision, Mission and Corporate Strategy | 1 |
| Company Information | 2 |
| Directors' Review | 3 |
| Auditors' Review | 5 |
| Condensed Interim Balance Sheet | 6 |
| Condensed Interim Profit and Loss Account | 7 |
| Condensed Interim Statement of Comprehensive Income | 8 |
| Condensed Interim Statement of Changes in Equity | 9 |
| Condensed Interim Cash Flow Statement | 10 |
| Notes to the Condensed Interim Financial Statements | 11 |



Vision

Dynamic, Quality Conscious and Ever Progressive

Mission

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

Corporate Strategy

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



COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Saira Asad Hameed
Chairperson/Non-Executive Director

Mr. Mian Asad Hameed
Chief Executive

Mr. Saeed Iqbal Khan
Executive Director

Mr. Mian Muhammad Ali Hameed
Executive Director

Mr. Mian Zafar Hameed
Non-Executive Director

Mrs. Sana Suleyman
Non-Executive Director

Mr. Humza Amjad Wazir
Non-Executive Director

Mr. Ahsan Ejaz
Independent Director

Mr. Anwar Ali
Independent Director

COMPANY SECRETARY

Mr. Arshad Mahmood - FCA

CHIEF FINANCIAL OFFICER

Mr. Muhammad Atif Rao

REGISTERED OFFICE

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

SHARE REGISTRAR

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

FACTORY

18-KM Raiwind Road, Lahore.

AUDIT COMMITTEE

Mr. Ahsan Ejaz
Chairman

Mr. Anwar Ali
Member

Mrs. Sana Suleyman
Member

Mr. Arshad Mahmood
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Anwar Ali
Chairman

Mr. Saeed Iqbal Khan
Member

Mr. Humza Amjad Wazir
Member

Mr. Arshad Mahmood
Secretary

AUDITORS

H.Y.K & Co.
Chartered Accountants

BANKERS

Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
The Bank of Punjab
Summit Bank Limited
NIB Bank Limited
Meezan Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al - Habib Limited
Askari Bank Limited



ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والی دوسری سہ ماہی اور ششماہی کے لئے کمپنی کے معاملات پر خوشی کے ساتھ اپنا جائزہ پیش کرتے ہیں۔

مالیاتی نتائج:

الحمد للہ، اس مالیاتی سال کی دوسری سہ ماہی میں کمپنی نے کامیابی کے ساتھ فروخت اور منافع کے بڑھتے ہوئے رجحان کو برقرار رکھا ہے۔ پچھلے مالیاتی سال کے مقابلہ میں اس سال دوسری سہ ماہی میں مجموعی فروخت 20.91 فیصد اضافہ کے حساب سے 727.83 ملین روپے سے بڑھ کر 880.01 ملین روپے ہو گئی ہے۔ مجموعی منافع 49.93 فیصد کے حساب سے 69.58 ملین روپے سے بڑھ کر 104.33 ملین روپے ہو گیا ہے اور قبل از ٹیکس منافع 68.75 فیصد کے حساب سے 35.75 ملین روپے سے بڑھ کر 60.33 ملین روپے ہو گیا ہے۔

پچھلے مالیاتی سال کی ششماہی کے مقابلہ میں اس سال کی ششماہی میں مجموعی فروخت 18.59 فیصد کے حساب سے 1519.49 ملین روپے سے بڑھ کر 1801.96 ملین روپے ہو گئی ہے۔ مجموعی منافع 34.65 فیصد کے حساب سے 152.67 ملین روپے سے بڑھ کر 205.57 ملین روپے ہو گیا ہے۔ قبل از ٹیکس منافع 40.85 فیصد کے حساب سے 80.36 ملین روپے سے بڑھ کر 113.18 ملین روپے ہو گیا ہے اور آمدنی فی حصص 2.71 روپے (Restated) سے بڑھ کر 3.90 روپے ہو گئی ہے۔

اس جائزہ عرصہ کے دوران کمپنی کی فروخت اور منافع میں اضافہ آؤرکشر کے ساتھ ساتھ ڈیکٹریٹریل مرکز کی زیادہ طلب کی بدولت ممکن ہوا ہے۔

کمپنی نے پچھلے سال کی دوسری سہ ماہی اور ششماہی میں بالترتیب 5,864 عدد اور 11,201 عدد آؤرکشر کی پیداوار کے مقابلہ میں اس سال دوسری سہ ماہی اور ششماہی میں بالترتیب 5,957 عدد اور 11,640 عدد رکھے بنائے۔

کمپنی کی پچھلے سال کی دوسری سہ ماہی اور ششماہی میں بالترتیب 22,405 عدد اور 37,423 عدد ویل مرکز کی پیداوار کے مقابلہ میں اس سال دوسری سہ ماہی اور ششماہی میں بالترتیب 29,926 عدد اور 55,371 عدد ویل مرکز کی پیداوار کی ہے۔

4 ویلر پروڈیکٹ:

کمپنی نے نومبر 2017 میں چائینیز کار ساز ادارے کے ساتھ مسافر بردار آؤرکشر روڈ گاڑیوں کے بنانے، جوڑنے، فروخت اور بعد از فروخت خدمات فراہم کرنے کے لئے پاکستانی آٹوموبائل سیکٹر کی پالیسیوں اور قانونی دائرہ کار کے مطابق گاڑی جوڑنے پر تعاون معاہدہ کیا۔ گرین فیلڈ ٹیکنالوجی کے تحت منصوبے کی منظوری متعلقہ اداروں کے پاس ابھی زیر غور ہے۔

مستقبل پر منتظر:

روپے کی قدر میں کمی اور خام مال کی قیمتوں میں اضافے کی وجہ سے پیداواری لاگت میں اضافہ ہو گیا ہے جو کہ آنے والے وقت میں کمپنی کے منافع پر منفی طور پر اثر انداز ہو سکتا ہے اس منفی اثر کو کم کرنے کے لئے کمپنی نے اس مدت جائزہ کے بعد آؤرکشر کی قیمتوں میں اضافہ کر دیا ہے جبکہ ڈیکٹریٹریل بنانے والے اداروں سے کمپنی ڈیکٹریٹریل مرکز قیمتوں میں اضافے کے لئے بات چیت کر رہی ہے۔ آپ کی کمپنی پیداواری طریقہ میں مستقل بہتری، نئی مصنوعات کی ایجاد اور بیلٹریٹریٹ ورک میں بہتری کے ذریعے آمدنی اور منافع میں اضافے کے رجحان کو برقرار رکھنے کے لئے پرعزم ہے۔ امید ہے کہ پورے ملک میں کوئی ایسی غیر یقینی سیاسی صورت حال نہیں ہوگی جو کہ کاروباری حالات کو خراب کر سکے۔

ڈائریکٹرز ملازمین کی ان تھک کوششوں، ٹیم ورک اور گن جس کا اظہار انہوں نے موجودہ عرصہ کے دوران کیا ہے، کے شکر گزار ہیں۔ ہم اپنے معزز حصص داران، گاہکوں، سپلائرز اور مالی اداروں کے کمپنی کے ساتھ مسلسل تعاون کرنے پر بھی شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Saeed

سعید اقبال خان

ڈائریکٹر

Muhammad I

میاں اسد سعید

چیف ایگزیکٹو

لاہور

موسمہ 24 فروری 2018



DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2017:

Financial Results:

ALHAMDOLILLAH, the Company has successfully maintained the growing trend of sales and profitability in 2nd quarter of current financial year. The sales has increased by 20.91% from Rs.727.83 M to Rs.880.01 M, gross profit by 49.93% from Rs. 69.58M to Rs.104.33M and pre-tax profit by 68.75% from Rs.35.75 M to Rs. 60.33 M compared with corresponding period of last year.

The half year sales has increased by 18.59% from Rs.1,519.49M to Rs.1,801.96 M, gross profit by 34.65% from Rs. 152.67 M to Rs.205.57M, pre-tax profit by 40.85% from Rs.80.36 M to Rs. 113.18 M and earning per share from Rs 2.71 (Restated) to Rs. 3.90 as compared with the corresponding period of last year.

The major contribution of increase in sales and profitability of the company is due to the higher demand of Auto Rickshaw as well as tractor wheel rims during the period under review.

During the 2nd quarter and half year, the Company produced 5,957 & 11,640 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 5,864 and 11,201 units respectively.

The production of wheel rims was 29,926 & 55,371 in 2nd quarter and half year whereas the production of wheel rims during the same corresponding periods was 22,405 and 37,423 respectively.

Four Wheeler Project:

The Company signed a **Vehicle Assembly Cooperation Agreement** with a Chinese Automobile Manufacturer in November, 2017 for manufacture, assembly, sales and after sales service of passenger and off-road vehicles, in accordance with the policies and legal framework of Pakistan for the Automobile Sector. The approval of Project under Green Field Category from the concerned Regulatory Authorities is still under process.

Future Outlook:

Pak-Rupee depreciation and escalation in material prices, has resulted in increase in input cost of production that may adversely affect the profitability of the company in future period. In order to minimize the adverse effect, the Company has increased the prices of Auto Rickshaws subsequent to the period under review whereas for the tractor wheel rims, the Company is in the process of negotiations with the tractor assemblers for the increase in prices.

Your company is committed to maintain the consistency in the growth of revenue and profitability through constant improvement in manufacturing processes, innovation of new products and sales network.


It is hoped that there would not be any political uncertainty that may deteriorate the business conditions throughout the country.


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

For and on behalf of the Board

Lahore

Dated: 24-02-2018


Mian Asad Hameed
(Chief Executive)


Saeed Iqbal Khan
(Director)

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Sazgar Engineering Works Limited as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for half year ended December 31, 2017 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

HYK & Co.

H.Y.K & Company
Chartered Accountants
Lahore: February 24, 2018

Engagement Partner: Muhammad Yousaf



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2017

| | Note | Un-audited | Audited |
|--|------|----------------------|----------------------|
| | | December 31, | June 30, |
| | | 2017 | 2017 |
| | | Rupees | Rupees |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | 4.1 | 500,000,000 | 500,000,000 |
| Issued, subscribed and paid-up share capital | 4.2 | 215,668,420 | 179,723,680 |
| Revenue reserve - Un-appropriated Profit | | 642,253,193 | 594,064,626 |
| | | 857,921,613 | 773,788,306 |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Deferred Liabilities | | 146,767,001 | 138,335,634 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 715,670,187 | 496,168,925 |
| Mark-up & profit accrued on loans and other payables | | 1,348,300 | 93,421 |
| Current portion of long term liabilities | | - | 56,310 |
| | | 717,018,487 | 496,318,656 |
| CONTINGENCIES AND COMMITMENTS | 5 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 1,721,707,101 | 1,408,442,596 |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, Plant and Equipment | 6 | 557,639,403 | 533,007,173 |
| Intangible Assets | 7 | 20,700 | 50,819 |
| LONG TERM LOANS AND ADVANCES | | 15,732,979 | 14,869,157 |
| LONG TERM DEPOSITS | | 2,387,137 | 2,387,137 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 4,565,156 | 2,728,731 |
| Stock-in-trade | | 749,492,937 | 548,124,950 |
| Trade debts | | 90,357,346 | 72,080,590 |
| Loans & advances | | 11,368,496 | 10,796,759 |
| Trade deposits and short term prepayments | | 44,344,185 | 33,107,316 |
| Other receivables | | 164,778,630 | 123,987,074 |
| Cash and bank balances | | 81,020,132 | 67,302,890 |
| | | 1,145,926,882 | 858,128,310 |
| TOTAL ASSETS | | 1,721,707,101 | 1,408,442,596 |

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

| | Note | Second Quarter Ended | | Half Year Ended | |
|---|------|----------------------|-------------------|--------------------|--------------------|
| | | Oct - Dec 2017 | Oct - Dec 2016 | Jul - Dec 2017 | Jul - Dec 2016 |
| | | Rupees | Rupees | Rupees | Rupees |
| Sales - Net | 8 | 880,005,388 | 727,833,614 | 1,801,964,559 | 1,519,490,362 |
| Cost of sales | 9 | 775,679,587 | 658,248,763 | 1,596,393,876 | 1,366,818,739 |
| Gross Profit | | 104,325,801 | 69,584,851 | 205,570,683 | 152,671,623 |
| Distribution cost | | 20,577,727 | 15,250,606 | 45,668,816 | 34,972,707 |
| Administrative expenses | | 17,852,665 | 16,383,405 | 36,011,426 | 31,909,642 |
| Other operating expenses | | 4,723,704 | 2,986,985 | 8,665,326 | 6,350,043 |
| | | 43,154,096 | 34,620,996 | 90,345,568 | 73,232,392 |
| | | 61,171,705 | 34,963,855 | 115,225,115 | 79,439,231 |
| Other income | | 584,939 | 1,100,263 | 1,088,850 | 1,573,697 |
| Operating profit before finance cost | | 61,756,644 | 36,064,118 | 116,313,965 | 81,012,928 |
| Finance cost | | 1,431,324 | 316,537 | 3,129,202 | 652,033 |
| Profit before taxation | | 60,325,320 | 35,747,581 | 113,184,763 | 80,360,895 |
| Taxation | 10 | 13,802,425 | 6,848,707 | 29,051,456 | 21,986,768 |
| Profit after taxation | | 46,522,895 | 28,898,874 | 84,133,307 | 58,374,127 |
| Earnings per share - Basic and diluted | 11 | 2.16 | Restated 1.34 | 3.90 | Restated 2.71 |

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

| Second Quarter Ended | | Half Year Ended | |
|----------------------|-------------------|-------------------|-------------------|
| Oct - Dec 2017 | Oct - Dec 2016 | Jul - Dec 2017 | Jul - Dec 2016 |
| Rupees | Rupees | Rupees | Rupees |

PROFIT AFTER TAXATION FOR THE PERIOD

| | | | |
|------------|------------|------------|------------|
| 46,522,895 | 28,898,874 | 84,133,307 | 58,374,127 |
|------------|------------|------------|------------|

OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD

| | | | |
|---|---|---|---|
| - | - | - | - |
|---|---|---|---|

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| <u>46,522,895</u> | <u>28,898,874</u> | <u>84,133,307</u> | <u>58,374,127</u> |
|-------------------|-------------------|-------------------|-------------------|

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| | Share Capital Rupees | Un-appropriated Profit Rupees | Total Rupees |
|--|----------------------------|-------------------------------------|--------------------|
| Balance as at June 30, 2016 - Audited | 179,723,680 | 509,691,079 | 689,414,759 |
| Transaction with owner, recognize directly in equity | | - | - |
| Final Dividend for the year ended June 30, 2016 @ Re.1.50 per share | - | (26,958,552) | (26,958,552) |
| Total Transaction with owner, recognized directly in equity | | (26,958,552) | (26,958,552) |
| Comprehensive Income for the period | | | |
| Profit after taxation | - | 58,374,127 | 58,374,127 |
| Other Comprehensive Income / (Loss) | - | - | - |
| Total Comprehensive Income for the half year ended December 31, 2016 | - | 58,374,127 | 58,374,127 |
| Balance as at December 31, 2016- Un-audited | <u>179,723,680</u> | <u>541,106,654</u> | <u>720,830,334</u> |
| Balance as at June 30, 2017 - Audited | 179,723,680 | 594,064,626 | 773,788,306 |
| Transaction with owner, recognize directly in equity | | - | - |
| Issuance of bonus shares @ 20% (20 shares for every 100 ordinary shares held) | 35,944,740 | (35,944,740) | - |
| Total Transaction with owner, recognized directly in equity | 35,944,740 | (35,944,740) | - |
| Comprehensive Income for the period | | | |
| Profit after taxation | - | 84,133,307 | 84,133,307 |
| Other Comprehensive Income / (Loss) | - | - | - |
| Total comprehensive income for the half year ended December 31, 2017 | - | 84,133,307 | 84,133,307 |
| Balance as at December 31, 2017 - Un-Audited | <u>215,668,420</u> | <u>642,253,193</u> | <u>857,921,613</u> |

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| | Half Year Ended | |
|---|---------------------|----------------------|
| | Jul - Dec 2017 | Jul - Dec 2016 |
| | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 113,184,763 | 80,360,895 |
| Adjustment for non cash charges and other items: | | |
| Depreciation | 9,872,500 | 10,030,997 |
| Amortization | 30,119 | 47,753 |
| Provision for gratuity | 11,792,644 | 9,175,690 |
| Finance cost | 3,129,202 | 652,033 |
| Other Income | (1,088,850) | (1,573,697) |
| | 23,735,615 | 18,332,776 |
| Working capital changes | 136,920,378 | 98,693,671 |
| (Increase)/Decrease in current assets | | |
| Store, spares and loose tools | (1,836,425) | (1,237,474) |
| Stock-in-trade | (201,367,986) | (269,257,562) |
| Trade debts | (18,276,756) | (15,673,191) |
| Loans & Advances | (571,737) | 2,336,243 |
| Trade Deposits and short term prepayments | (11,236,869) | (61,289,247) |
| Other receivables | 80,000 | 2,060,000 |
| Increase in current liabilities | | |
| Trade and other payables | 197,956,871 | 536,225,363 |
| Increase in Long term loans and advances | (863,822) | (1,061,856) |
| | (36,116,724) | 192,102,276 |
| Cash generated from operations | 100,803,654 | 290,795,947 |
| Finance cost paid | (1,874,323) | (657,569) |
| Income tax paid/deducted at source | (48,538,806) | (27,035,018) |
| Employees retirement benefit - gratuity paid | (1,812,818) | (2,038,763) |
| Workers' Profit Participation Fund Paid | - | (8,287,790) |
| Net cash generated from operating activities | 48,577,707 | 252,776,807 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment purchased | (34,504,730) | (125,903,855) |
| Increase in long term deposits | - | (935,000) |
| Proceeds from sale of property, plant and equipment | - | 675,689 |
| Net cash used in investing activities | (34,504,730) | (126,163,166) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Repayment of finance lease | (56,310) | (487,242) |
| Dividend paid | (299,425) | (26,646,778) |
| Net cash used in financing activities | (355,735) | (27,134,020) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,717,242 | 99,479,621 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 67,302,890 | 166,898,133 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 81,020,132 | 266,377,754 |

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements


MIAN ASAD HAMEED

CHIEF EXECUTIVE


SAEED IQBAL KHAN

DIRECTOR


MUHAMMAD ATIF RAO

CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND OPERATIONS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company and converted into a Public Limited Company on November 21, 1994. The Company is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2 BASIS OF PREPARATION

- 2.1 The Companies Act, 2017 (the "Act") has been promulgated as on May 30, 2017, however, Securities and Exchange Commission of Pakistan issued a circular no. 23 of 2017 dated October 04, 2017 and its clarification to The Institute of Chartered Accountants of Pakistan that companies whose interim financial period close on or before December 31, 2017 shall prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, These condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2017 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 are followed.
- 2.2 These condensed interim financial statements (un-audited) are being submitted to the shareholders as required by section 237 of The Companies Act, 2017 (the "Act").
- 2.3 These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2017.
- 2.4 The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2017 and 2016.

2.5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

2.5.1 Financial risk factors

The Company's activities expose to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently these condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements.

2.5.2 Fair Value of financial assets and liabilities

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

2.6 CORRESPONDING FIGURES

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

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2017.



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

| Un-audited | | Audited | | NOTE | Un-audited | | Audited | |
|-------------------|--|---------------|--|------|-------------------|--|---------------|--|
| December 31, 2017 | | June 30, 2017 | | | December 31, 2017 | | June 30, 2017 | |
| Number | | Number | | | Rupees | | Rupees | |
| 50,000,000 | | 50,000,000 | | | 500,000,000 | | 500,000,000 | |

4.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| | | | | |
|------------|------------|---|-------------|-------------|
| 7,163,000 | 7,163,000 | ordinary shares of Rupees 10/- each fully paid up in cash. | 71,630,000 | 71,630,000 |
| 14,403,842 | 10,809,368 | ordinary shares of Rupees 10/- each allotted as bonus shares. (Note. 4.2.1) | 144,038,420 | 108,093,680 |
| 21,566,842 | 17,972,368 | | 215,668,420 | 179,723,680 |

4.2.1 During the period the Company has issued bonus shares @ 20% (i.e.20 shares for every 100 shares held), (June 30, 2017: Nil).

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in contingencies from the preceding annual published financial statement of the Company for the year ended June 30, 2017. Except the following;

- 5.1.1 During the period, DCIR created a sales tax demand of Rs. 7.42 million against sales tax audit for tax period from July-2013 to June-2014. Company filed an appeal with CIR (A). In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 5.1.2 During the period, the company has received a notification issued by Government of Punjab (Labour & Human Resource Department) for enhancing the monthly wage ceiling from Rs. 18,000/- to 22,000/- for the purpose of levy of Social Security contribution. The company filed a Writ Petition in the Honorable Lahore High Court, Lahore to challenge the legality of the notification. The estimated effect of this notification on financial statements is Rs. 98,655/-. In the opinion of the legal advisor, expected outcome of the case will be in favour of the company, hence no provision is made in these financial statements.

5.2 Commitments

- 5.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 168.40 Million (June 30, 2017: Rs. 167.30 Million).
- 5.2.2 Commitments in respect of capital expenditures amount to Rs. 7.23 Million (June 30, 2017: Rs. 8.99).

6 PROPERTY, PLANT AND EQUIPMENT

| | | | |
|----------------------------------|-----|-------------|-------------|
| Operating fixed assets | 6.1 | 263,720,402 | 264,189,676 |
| Capital work in progress | 6.2 | 293,919,001 | 267,517,497 |
| Advance for purchase of vehicles | | - | 1,300,000 |
| | | 557,639,403 | 533,007,173 |

6.1 OPERATING FIXED ASSETS - Tangible

| | | | |
|---------------------------------------|--|-------------|-------------|
| Opening book value | | 264,189,676 | 241,027,824 |
| Add: | | | |
| Additions during the period (at cost) | | | |
| - Freehold Land | | - | 22,527,054 |
| - Plant and machinery | | 6,491,867 | 5,486,326 |
| - Electric fittings | | - | 1,115,063 |
| - Office equipments | | 274,359 | 340,615 |
| - Vehicles | | 2,637,000 | 15,718,500 |
| | | 9,403,226 | 45,187,558 |



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| | Un-audited December 31, 2017 Rupees | Audited June 30, 2017 Rupees |
|--|--|---------------------------------------|
| Less: | | |
| Disposal during the period (at net book value) | | |
| - Furniture and fittings | - | 14,389 |
| - Office Equipment | - | 18,747 |
| - Electric Installations | - | 2,433 |
| - Vehicles | - | 1,275,997 |
| Depreciation charged during the period | 9,872,500 | 20,714,142 |
| | 9,872,500 | 22,025,707 |
| Closing book value | 263,720,402 | 264,189,676 |

6.2 CAPITAL WORK IN PROGRESS

| | | |
|---|-------------|-------------|
| Opening Balance | 267,517,497 | 490,334 |
| Additions during the period | | |
| - Plant and machinery | 320,589 | 4,545,261 |
| - Building and Civil Works on freehold land | 30,946,765 | 262,481,902 |
| | 31,267,354 | 267,027,163 |
| Less Transferred during the period | | |
| - Plant and machinery | 4,865,850 | - |
| Closing Balance | 293,919,001 | 267,517,497 |

7 INTANGIBLE ASSETS

| | | |
|--|--------|---------|
| Opening book value | 50,819 | 135,605 |
| Add: additions during the period | - | - |
| | 50,819 | 135,605 |
| Less: amortization charged during the period | 30,119 | 84,786 |
| Closing book value | 20,700 | 50,819 |

8 SALES - NET

| | Un-audited Oct-Dec 2017 Rupees | Un-audited Oct-Dec 2016 Rupees | Un-audited July-Dec 2017 Rupees | Un-audited July-Dec 2016 Rupees |
|-----------------|---|---|--|--|
| Gross sales | 1,077,182,064 | 875,878,272 | 2,218,646,568 | 1,827,826,162 |
| Less: Sales tax | 148,836,044 | 123,080,437 | 310,073,165 | 260,592,380 |
| Sales returns | 25,822,137 | 5,954,042 | 60,092,778 | 10,382,904 |
| Commission | 22,518,495 | 19,010,179 | 46,516,066 | 37,360,516 |
| | 197,176,676 | 148,044,658 | 416,682,009 | 308,335,800 |
| | 880,005,388 | 727,833,614 | 1,801,964,559 | 1,519,490,362 |

8.1 This includes Rs. 43.01 million (December 31, 2016: Rs. 33.50 million) on account of export sales for the period.



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| NOTE | | Un-audited | Un-audited | Un-audited | Un-audited |
|-----------|---|--------------------|--------------------|----------------------|----------------------|
| | | Oct-Dec | Oct-Dec | July-Dec | July-Dec |
| | | 2017 | 2016 | 2017 | 2016 |
| | | Rupees | Rupees | Rupees | Rupees |
| 9 | COST OF SALES | | | | |
| | Raw materials and components consumed | 798,956,418 | 771,045,261 | 1,555,789,767 | 1,426,233,978 |
| | Salaries, wages and other benefits | 61,341,483 | 51,781,141 | 131,907,721 | 112,369,686 |
| | Stores, spares and loose tools consumed | 14,265,237 | 9,220,657 | 21,788,247 | 16,698,915 |
| | Power and fuel charges | 18,620,415 | 16,622,621 | 32,188,019 | 28,856,499 |
| | Repair and maintenance | 21,976,999 | 24,649,944 | 45,859,930 | 49,339,013 |
| | Provision for slow moving items | 1,690,300 | - | 2,535,450 | 667,321 |
| | Other expenses | 1,173,404 | 1,725,800 | 4,136,592 | 3,212,147 |
| | Depreciation & Amortization | 3,242,609 | 3,194,508 | 6,396,455 | 6,404,208 |
| | | <u>921,266,865</u> | <u>878,239,932</u> | <u>1,800,602,181</u> | <u>1,643,781,767</u> |
| | Opening work-in-process | 10,630,631 | 9,752,885 | 13,548,770 | 15,490,216 |
| | Closing work-in-process | (11,789,012) | (14,673,100) | (11,789,012) | (14,673,100) |
| | Cost of goods manufactured | <u>920,108,484</u> | <u>873,319,717</u> | <u>1,802,361,939</u> | <u>1,644,598,883</u> |
| | Opening finished goods | 252,964,256 | 230,695,458 | 191,425,091 | 167,986,268 |
| | Closing finished goods | (397,393,154) | (445,766,412) | (397,393,154) | (445,766,412) |
| | | <u>775,679,587</u> | <u>658,248,763</u> | <u>1,596,393,876</u> | <u>1,366,818,739</u> |
| 10 | TAXATION | | | | |
| | Current | | | | |
| | For the period | 17,982,270 | 11,113,502 | 33,125,999 | 25,631,716 |
| | Prior period | (2,526,084) | (1,182,232) | (2,526,084) | (1,182,232) |
| | Deferred | | | | |
| | For the period | (1,653,761) | (3,082,563) | (1,548,459) | (2,462,716) |
| | | <u>13,802,425</u> | <u>6,848,707</u> | <u>29,051,456</u> | <u>21,986,768</u> |

10.1 The rate of tax has decreased from 31% to 30% during the period.

11 EARNINGS PER SHARE - BASIC AND DILUTED

Basic Earnings Per Share

| | | | Restated | Restated |
|---|--------|------------|------------|------------|
| Profit after taxation for the period | Rupees | 46,522,895 | 28,898,874 | 84,133,307 |
| Weighted average number of ordinary shares outstanding during the period - Note 4.2 | Number | 21,566,842 | 21,566,842 | 21,566,842 |
| Basic earnings per share | Rupees | 2.16 | 1.34 | 3.90 |

11.1 Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period. The Company has issued Bonus Shares @ 20% during the period accordingly, the earnings per share of the comparative period has been re-stated.

11.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2017 and December 31, 2016 which would have any effect on earning per share if the option to convert is exercised.

12 TRANSACTIONS WITH RELATED PARTIES

| | | | |
|--|--|-------------------|-------------------|
| Remuneration, Allowances and benefits paid to Chief Executive | | 5,850,000 | 5,265,000 |
| Remuneration, Allowances and benefits paid to Executive Director (s) | | 5,525,000 | 2,362,500 |
| Meeting fee paid to Non-Executive Director (s) | | 450,000 | - |
| Cash Dividend paid to Chief Executive and Director (s) | | - | 17,491,771 |
| Bonus shares issued to Chief Executive and Director (s) | | 23,283,630 | - |
| TOTAL | | <u>35,108,630</u> | <u>25,119,271</u> |



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

| | Un-audited | Un-audited | Un-audited | Un-audited |
|----------------------------------|--------------------|--------------------|----------------------|----------------------|
| | Oct-Dec | Oct-Dec | July-Dec | July-Dec |
| | 2017 | 2016 | 2017 | 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| 13 SEGMENT RESULTS | | | | |
| Segment Revenue - Net | | | | |
| Home appliances | 2,102,239 | 44,300 | 3,349,438 | 911,700 |
| Auto parts | 147,321,811 | 106,073,466 | 303,541,303 | 192,931,962 |
| Auto rickshaw | 730,581,338 | 621,715,848 | 1,495,073,818 | 1,325,646,700 |
| Total | 880,005,388 | 727,833,614 | 1,801,964,559 | 1,519,490,362 |
| Segment operating results | | | | |
| Home appliances | 388,543 | (30,309) | 497,119 | (167,049) |
| Auto parts | 4,806,691 | 3,382,867 | 9,723,643 | 2,303,761 |
| Auto rickshaw | 60,350,175 | 34,208,283 | 113,319,678 | 83,262,562 |
| Total | 65,545,410 | 37,560,841 | 123,540,441 | 85,399,274 |

14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 24, 2018.

15 GENERAL

15.1 The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet the increased demand.

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

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER

Sazgar Engineering Works Limited

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