

DIRECTOR'S REPORT

The Directors of your Company are pleased to issue this report on the financial position and performance of your Company for the half year and Q2 ended December 31, 2017.

SUMMARY OF FINANCIAL RESULTS

Standalone

Rs. '000

	Half-year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Turnover	2,950,076	2,775,658	1,512,357	1,477,419
Gross Profit	579,669	516,880	290,536	284,771
Profit before taxation	406,655	462,425	204,640	192,365
Taxation	(122,369)	(101,838)	(62,013)	(59,058)
Profit after taxation	284,286	360,587	142,627	133,307
Earnings per share (Rs.)	9.87	12.52	4.95	4.63

The turnover for the six month increased by 6% to Rs. 2.95 billion.

Profit before tax of Rs. 406.6 million is down by 12%. As our wholly owned subsidiary Agriauto Stamping Co. (Pvt) Limited is undergoing expansion, hence no dividend was declared during current period which remained the main reason for lower profitability as compared with last year. However, excluding dividend income from subsidiary, the underlying profit for the period has increased by 16% as compared to last year.

Earnings Per Share is Rs. 9.87 as compared to Rs. 12.52 down 21%.

The Board is pleased to declare an interim cash dividend of 80% i.e. Rs. 4.00 per share for the year 2018.

Consolidated

Rs. '000

	Half-year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Turnover	3,991,913	3,467,846	2,062,036	1,842,896
Gross Profit	809,715	692,505	403,041	376,644
Profit before taxation	613,493	507,461	306,095	275,988
Taxation	(121,276)	(151,060)	(60,698)	(108,280)
Profit after taxation	492,217	356,401	245,397	167,708
Earnings per share (Rs.)	17.09	12.38	8.52	5.82

DIRECTOR'S REPORT

Consolidated turnover is 15% higher as compared to the corresponding period last year. Profit before tax is 21% on account of higher sales.

Earnings Per Share is 38% higher at Rs. 17.09 compared with Rs. 12.38 of last corresponding period.

Regulatory Duty (RD) which has been imposed on the Steel products since 2015 is still continuing. We maintained our stance that the cascading tariff for the Auto Industry is governed through the Auto Development Plan (2016-21) whereby higher tariff on the assemblies as compared with the raw material. The imposition of RD ranging from 5% to 30% has distorted the entire tariff structure. We had several representations to the Government that the RD on raw materials is making the local parts more expensive and uncompetitive. We have been given understanding by the Government that the matter will be reviewed at the budget time.

On February 6, 2018, the Honorable High Court of Sindh has given a decision declaring the latest notification raising the rate of RD as unconstitutional. The impact of the judgment is not yet clear as the High Court has suspended the judgment for 30 days. The Federal Government is likely to appeal this decision before the Supreme Court the impact will only become clear once the Supreme Court issue a preliminary order on the appeal or the 30 days suspension expires.

The auto industry is growing and existing assemblers are working on launching new products. We are working to secure the business for the new models. Consequent upon the announcement of the Auto Development Plan (2016-21) new players have been granted Greenfield and Brownfield status whereby they has been given concessions on the import of CKD's for a period of 5 and 3 years respectively. Due to the availability of the concessionary period the new entrants will commence their localization process before its expiry.

AGRIAUTO STAMPING COMPANY (PVT) LIMITED (ASC)

The company's press operation is currently running on more than double shift basis which leave very limited time for maintenance or any other contingencies. In order to overcome this Board has approved the purchase of 2 more presses of 800 ton & 500 ton to balance the press operation. Consequently, the Board has approved a capital expenditure of Rs. 376 million for the purpose.

In order to enhance the die designing and machining capability of the press dies the Company is also in the process of procuring new CNC machine for the development of small to medium size dies. It has been planned to get the Agriauto engineers trained at Ogihara Thailand for designing the dies and then final machining in Pakistan. This will pave a way for our engineers to design & complete independently.

In the end, we would like to express our sincerest appreciation to all our Customers, Dealers, Bankers and Foreign Technical collaborators for their unabated support and confidence reposed in the Company. We are also thankful to all our team members who have worked diligently for the progress of the Company.

On behalf of the Board of Directors.



FAHIM KAPADIA
Chief Executive

Dated : February 21, 2018