DIRECTORS' REPORT

The Directors of your Company are pleased to issue this report on the unaudited interim financial position and performance of your Company for the half year and quarter ended December 31, 2018.

SUMMARY OF FINANCIAL RESULTS
Consolidated results

Rs. 'in millions

	Six months ended		**Three months ended**	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
Turnover	**4,936.7**	3,991.9	**2,632.1**	2,062.0
Gross Profit	**821.9**	809.7	**463.2**	403.0
Profit before taxation	**613.9**	613.4	**351.5**	306.1
Taxation	**(114.0)**	(121.2)	**(63.6)**	(60.7)
Profit after taxation	**499.9**	492.2	**287.9**	245.4
Earnings per share (Rs.)	**17.36**	17.09	**10.00**	8.52

The consolidated turnover for the six months under review was Rs.4,936.7 (2017: Rs.3,991.9) million reflecting an increase of 23.6% over corresponding period last year. Profit before tax is almost the same as last year.

The consolidated Earnings Per Share (EPS) for the half year ended December 2018 was Rs.17.36 as compared to Rs. 17.09 in the corresponding period last year.

Standalone results

Rs. 'in millions

	Six months ended		**Three months ended**	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
Turnover	**3,510.7**	2,950.0	**1,835.5**	1,512.3
Gross Profit	**543.2**	579.7	**286.8**	290.5
Profit before taxation	**356.7**	406.7	**188.8**	204.6
Taxation	**(107.9)**	(122.4)	**(60.2)**	(62.0)
Profit after taxation	**248.8**	284.3	**128.6**	142.6
Earnings per share (Rs.)	**8.64**	9.87	**4.46**	4.95

The turnover for the six months under review was Rs. 3,510.7 (2017: Rs.2,950.0) million reflecting an increase of 19% over corresponding period last year.

Profit before tax of Rs. 356.7 million was down by 12% despite higher sales, primarily due to significant devaluation of Pak Rupee against the US Dollar & Japanese Yen in which majority of the Company's imports are carried out. Although, we have a mechanism in place with our Customers for consequent adjustment in the selling prices, however, the same is with a certain time lag.

Besides devaluation, profit for the period was also adversely impacted by slow-down in tractor industry wherein, our two main customers had their plants shut down for the months of November & December 2018. A similar slow-down was also witnessed in the motorcycle sales in the month of December 2018.

The Earnings Per Share (EPS) for the half year ended December 2018 was Rs. 8.64 as compared to Rs. 9.87 in the corresponding period last year.

The Board is pleased to declare an interim cash dividend of 60%, i.e. Rs. 3.0 per share for the half year ended December 31, 2018.

AUTOMOTIVE INDUSTRY

It has been but tough period for automakers in Pakistan as key developments on the macroeconomic front proved to be hard-hitting for the auto sector including ban on non-filers to purchase vehicles. Further, hike in interest rates also added to the woes of the sector. However, following recent developments have created breathing space to recuperate the lost situation.

- **REGULATORY DUTY**

We are pleased to inform that Regulatory Duty (RD) which was imposed on steel products in 2015 has now been removed with effect from February 11, 2019 for the automotive part makers. The automotive part industry is thankful to the Government which has taken the right step to lower manufacturing costs to help foster growth in volumes of the automotive industry.

- **ALLOW NON-FILER TO PURCHASE VEHCILES**

The Government, through the 2nd Supplementary Finance Bill, 2019 has proposed to allow non-filers to purchase vehicles not exceeding 1300cc, which also augers well and will help compensate the sales and production volumes of the stagnant passenger car segment.

Many of the new entrants are working to introduce their vehicles in the year 2019/20. As the new entrants enjoy relaxation in respect of reduced custom duty on the import of full CKD, their focus on the localization of auto parts is currently minimal. However, we expect those players to advance their localization plans in order to benefit from the exchange parity and thus benefit the local parts supplier's industry.

AGRIAUTO STAMPING COMPANY (PVT) LIMITED (ASC)

As also disclosed in earlier reports to shareholders, the Board would like to inform that the subsidiary company had planned for a capital expenditure of Rs.376 million for the purchase of 2 additional presses of 800 tons & 500 tons along-with the extension of welding gantry as well as storage area. We are pleased to inform that the presses have been shipped from China, the commissioning of which, will commence from March 2019. Other ancillary activities are also being undertaken as planned. The benefits from the extension in production capacity is likely to be visible from the next financial year.

In respect of die making capabilities, we are pleased to inform that the medium & small size dies are now being made locally with assistance from our technical partner, M/s. Ogihara Thailand Company (OTC). The stamped parts from these dies have been tested and found clean for production. We are very hopeful that with the improvement in local die making capability, the Company will save precious foreign exchange in future.

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.

Yutaka Arae	Fahim Kapadia
Chairman	Chief Executive
Dated : February 25, 2019	