

**DIRECTORS' REPORT
TO THE SHAREHOLDERS**



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FOR THE YEAR ENDED JUNE 30, 2021

Dear Shareholders,

The Directors of your Company are pleased to present their Report along with the Audited Financial Statements for the year ended June 30, 2021.

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at reporting date is as follows:

Mr. Yutaka Arae – Chairman	Non-executive Director
Mr. Fahim Kapadia – Chief Executive	Executive Director
Mr. Hamza Habib	Non-executive Director
Mr. Sohail P. Ahmed	Non-executive Director
Mr. Salman Burney	Non-executive Director
Ms. Ayesha Tammy Haq	Independent Director
Mr. Muhammad Ali Jameel	Independent Director

COMPOSITION OF THE BOARD

Total number of directors	
a) Male:	6
b) Female:	1

Composition

a) Independent Director	1
b) Other Non-Executive Directors	4
c) Executive Director	1
d) Female Independent Director	1

PRINCIPAL ACTIVITIES OF THE COMPANY

Agriauto Industries Limited is engaged in the manufacture and sale of components for automotive vehicles, motorcycles and agricultural tractors.

PAKISTAN'S ECONOMY

Pakistan's economy has recovered during the FY 2020-21 and rebounded from the severe COVID-shock, with an expected GDP growth of 3.94%. Major macroeconomic indicators noted positive trends, with decent growth in agriculture and industrial sectors. Large Scale Manufacturing production clocked a fifteen-year high growth rate of 12.8% (July-April 2020-21) as compared to 8.7% last year mainly due to growth in Textile, Automobile, Food and Cement sector.

During the year, the Pak Rupee strengthened for a significant period due to the shrinkage of current account deficit, supported by flexible market based exchange rate system, resilience in remittances and improving exports. However, the Rupee started losing grounds again in Q4 2020-21 mainly due to rising import bill owing to economic recovery and rising oil prices. The policy rate remained at 7% which has revitalized the business sentiments and stimulated economic activities.

Going forward, in FY 2021-22, the economic momentum is expected to continue to strengthen further with GDP growth projected to rise to 4.8%.

The ongoing emphasis on the rollout of vaccines, coupled with the continuation of economic activities during the COVID virus' second and third wave, offers grounds for optimism. Further impetus to economic growth is likely to come from expected investments under Temporary Economic Refinance Facility (TERF) and the policy-driven boost in construction activities. The government has also indicated its intention to increase Public Sector Development Program (PSDP) spending, which would also be a major contributing factor to the higher growth outcome. These favorable trends would also spill over to the services sector.

However, a major risk to the overall growth outlook for FY 2021-22 is any significant deterioration in COVID situation domestically and globally, which might upset the ongoing economic momentum. In addition, supply chain disruptions, rising commodity prices i.e. oil, food and metals, utility tariffs and increase in the minimum wages, may also have an adverse impact.

FINANCIAL & BUSINESS PERFORMANCE

SEPARATE

Your company has performed well and achieved Sales of Rs. 6.97 billion in FY 2020-21 (FY 2019-20: Rs. 3.77 billion), which is a growth of 85% over last year. Profit after tax also increased to Rs. 651.39 million compared to Rs. (29.80) million loss last year, due to an increase in passenger car demand as well as better economic situation during the current year.

	2020 -21 (Rupees in thousand)	2019-20
Turnover	6,969,981	3,768,756
Gross Profit	936,548	169,946
Profit before Taxation*	834,049	10,416
Taxation	(182,651)	(40,214)
Profit / (loss) after Taxation	651,398	(29,798)
Earnings / (loss) Per Share (Rs.)	22.62	(1.03)

* Includes dividend from subsidiary company of Rs. 228 million in 2020-21 (2019-20: Rs. 114 million)

CONSOLIDATED RESULTS

On a consolidated basis, Company has achieved its highest ever annual sales of Rs. 10.49 billion in FY 2020-21, a growth of 99.9% compared to last year. In the current year, profit after tax is Rs. 829.66 million compared to loss of Rs. (108.44) million last year.

	2020 -21 (Rupees in thousand)	2019-20
Turnover	10,485,027	5,244,651
Gross Profit	1,612,129	251,466
Profit / (loss) before Taxation	1,203,265	(24,969)
Taxation	(373,601)	(83,469)
Profit / (loss) after Taxation	829,664	(108,438)
Earnings / (loss) Per Share (Rs.)	28.81	(3.77)

Dividend & Appropriation of Profit

The Board of Directors is pleased to recommend a final cash dividend of Rs. 6 per share (120%) for the approval of the shareholders at the Annual General Meeting of the Company to be held on October 21, 2021. The final dividend is in addition to the interim dividend of Rs. 5.0 per share (100%) already paid. Total dividend for the year therefore will be Rs. 11 per share (220%). The Board has also recommended to transfer Rs. 200 million to General Reserve from un-appropriated profits.

PERFORMANCE OF AUTOMOTIVE SECTOR

The Auto sector revived strongly during the year supported by lower prevailing interest rates for vehicle financing and favorable foreign exchange parity. This is reflected in the surge of Rs. 86.5 billion or 41% in Auto Financing during the period of July-May of FY 2020-21 to Rs. 297.5 billion compared to Rs. 211.1 billion in 2019-20.

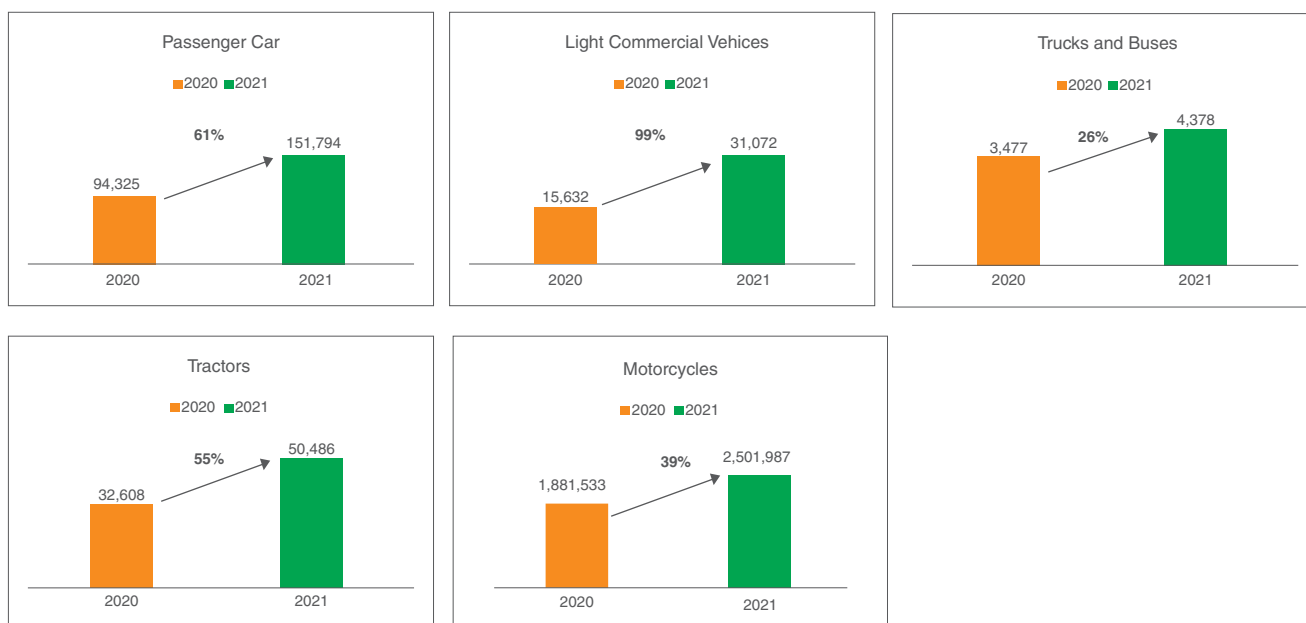




The dynamics of the automotive industry are changing with number of new entrants in the market, particularly in SUV segment. The availability of varied and wider vehicle options for customers has provided a boost to the market.

In Budget 2021-22, the Government has extended certain tax reliefs specially to support lower income segment's ability to own a Car to make it available at lower cost. Sales tax on cars with engine capacity of 1000 cc is reduced from 17% to 12.5%. Federal Excise Duty is reduced by 2.5% on all cars segments. This will give further impetus to Automotive Industry going forward.

The growth in volumes for the FY 2021 compared to last year in different Auto Segments is given below:



NEW INITIATIVES

The Board is pleased to share the new initiatives taken by the Company during the FY 2020-21;

ED Paint Facility

An Electrophoretic deposition (ED) paint facility was commissioned during the year at Hub Plant, Balochistan with a total investment of Rs. 194 million. In addition to meeting in-house ED paint requirements for existing customers for Struts and Sub Assembly Parts, company is extending services to other vendors as well.

Solar Power Energy Project

Agriauto Industries Ltd and Agriauto Stamping Company (Private) Limited are planning to have Solar Power generation of 1 MW each with an estimated investment of Rs. 175 million. The project is expected to be commissioned by Q3 of 2021-22 and will help reducing the energy cost of the Company, making its products more competitive in the market.

NEW DEVELOPMENT

Company is in the process of developing shock absorbers, struts, and press parts for new models planned by existing as well as new entrants. Your Company is confident that all development will be completed within the agreed Master Plan between the Company and OEMs.

PROCESS IMPROVEMENT ACTIVITIES

Continuous process improvement activities are part of the culture at Agriauto, following the KAIZEN philosophy. In order to manage the manufacturing operations, daily ASAKAI (morning meetings) are conducted where all departmental heads join to discuss current operational issues & progress related to safety, quality, production, maintenance, supply chain, projects, etc. and take immediate countermeasures.

Agriauto is focused on innovation and business transformation. The company is planning to upgrade its current technology platform from Oracle Database to SAP Hana DB, along with hardware infrastructure. The project is expected to complete by June 2022.

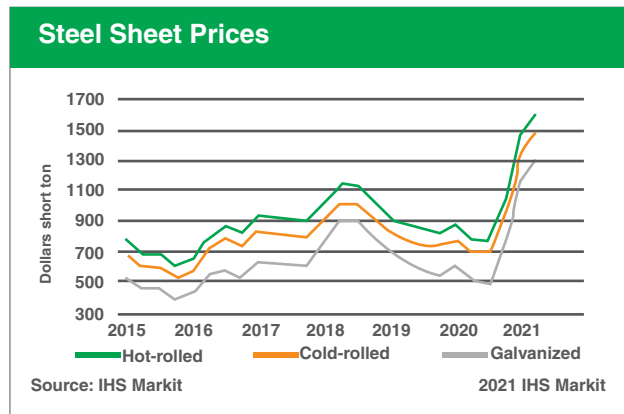
PRINCIPAL RISKS AND UNCERTAINTIES

Risk management process includes identification of strategic, financial, operational and legal risks affecting the performance of the Company and appropriate measures are undertaken to mitigate these risks. At Agriauto, an effective risk management mechanism is in place to detect these risks at an early stage and to devise action plans to address and mitigate the same.

The Board feels that current pressure on the exchange rate carries a high risk. Moreover, demand-led pressures on inflation and vulnerabilities in the current account may reduce the degree of accommodation and resulting increase in the policy rate shall have an adverse impact on the automotive industry in Pakistan.

Global supply chain disruptions continued owing to shortage of containers and congestions at major transit ports around the World. Certain shipments have been made by air to meet customers' requirements which result in higher freight cost being incurred. Company is maintaining the supplies to the customers through efficient supply chain management, measure undertaken also includes maintaining additional safety stock and closely monitoring logistics of raw materials.

Benchmark prices for hot-rolled steel (HRC) / cold-rolled steel (CRC) hit all-time high. The rising trend continues caused by supply chain disruptions and capacity remained idle too long after global demand started to recover rapidly from COVID-19 lockdowns. Moreover, China has withdrawn 13% VAT rebate on exports of various steel products from May 2021 which has also impacted the steel prices globally. Management is taking measures to mitigate the impact.



Board is cautious about the underlying uncertainty owing to adverse impact of any future deterioration of COVID-19 situation. Suitable measures are being adopted and protocols are implemented by the company's management, to manage within controllable level.



AGRIAUTO STAMPING COMPANY (PRIVATE) LIMITED (ASC)

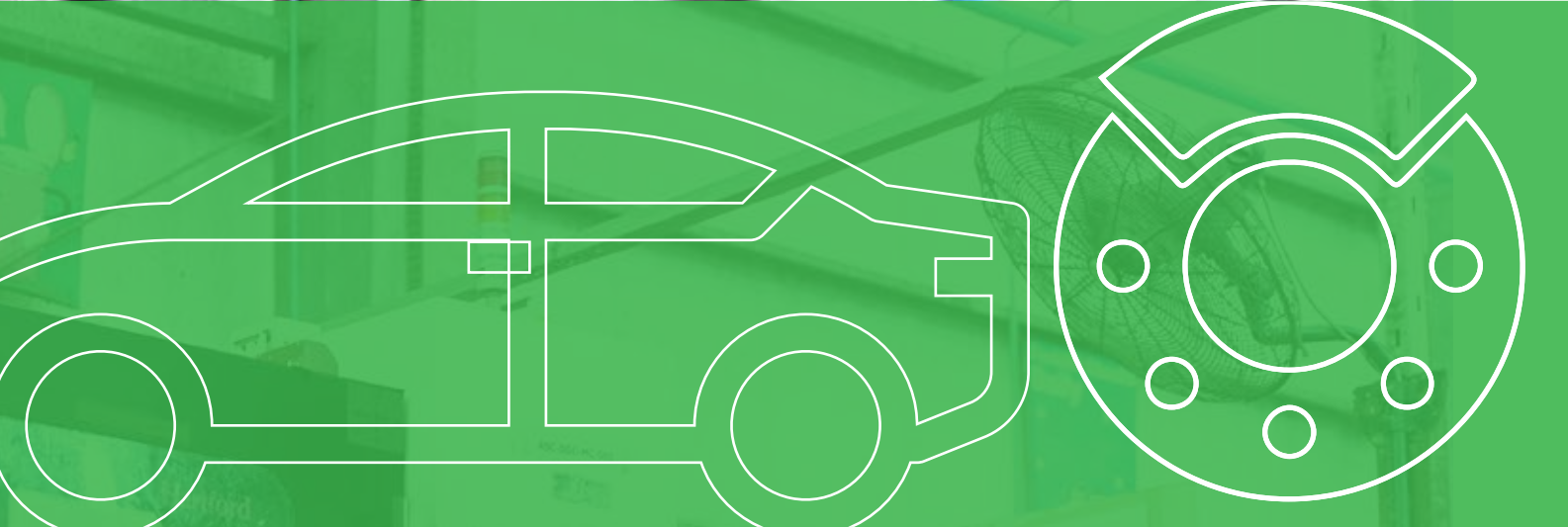
Agriauto Stamping (Private) Limited is wholly owned subsidiary of Agriauto Industries Limited and involved in stamping of sheet metal parts, jigs and accessories, primarily for the automotive sectors.

ASC continued to concentrate and excel in its core capability of stamping of high tensile sheet metal parts and operations are growing with increase in number of parts being produced. The Company is continuously pursuing and securing new products development, as part of its diversification strategy, which will bring sustainability and improve profitability going forward.

Owing to growth in operations, ASC has recently initiated its expansion plan with an investment of Rs. 195 million which will result in process efficiencies and facilitate installation of additional press line in future.

In addition, a welding gantry is also being installed to cater to new business.





HEALTH, SAFETY AND ENVIRONMENT (HSE)

Agriauto is committed to carrying out business in a way which is sustainable and socially responsible with regard to the health and safety of our employees, the environment and others who may be affected by our activities, including the communities in which we operate.

Company promotes a culture of quality, healthy and safe environment by providing the appropriate resources and information, training and coaching to employees, contractors, visitors and other stakeholders. The management encourages effective consultation and participation with workers on all health, safety and environment related matters and ensure compliance with all related requirements and laws and regulations.

The Company maintains certifications and compliant with international best practices. Recently, Company undertook a transition from OHSAS18001:2007 to ISO45001:2018, new standard to strengthen our HSE policies and capability.

Following are the highlights of the key activities.

Health, Safety & Environment (HSE) Week

The HSE Week was organized from 19th – 24th October 2020 to create safety awareness among all work force and it was based on the theme of “Find and Fix Hazards” focusing on “5S Methodology”, “Say ‘NO’ to Gutka” and “Plant Trees-Save Environment” respectively. Staff participated proactively and all critical identified hazards were rectified or mitigated.



COVID-19

To prevent the spread of COVID-19, Agriauto is strictly complying with standard guidelines and protocols advised by NCOG. Company has laid special emphasis on vaccination of employees and encouraging them to also inoculate family members. Vaccination was arranged within the factory premises in collaboration with Jam Ghulam Qadir Govt. Hospital (Hub). With consistent efforts 100% employees are vaccinated.



Inspection of Lifting Equipment

All equipment including forklift trucks, overhead bridge cranes, scissors lifts, etc. were inspected by a third party and leading practices are implemented.

Training – Key to HSE

Work at Height, Rigging & Slings, Scaffolding, Fire Warden related training were held.



Environmental Consideration

All environmental monitoring, e.g. effluents, gaseous emissions, drinking water, etc. were carried out in accordance with government regulations and requirements.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Agriauto believes in giving back to society and committed to improve the quality of life of our stakeholders, communities and the underprivileged of the society. We allocated Rs. 12.04 million in 2020-21 which is in line with our commitment to set aside 1% of profit before tax as part of our CSR every year. These programs, which span all our business segments are primarily focused in the broad areas of healthcare, education, environment, employee's welfare and community development.

Activities undertaken during the year include following:

Healthcare

- a) The Company endeavors to improve the medical facilities at the Jam Ghulam Qadir Civil Hospital, Hub and every year contribute based on consultation with the hospital authorities. To better equip the Laboratory CBC Machine Hematology Analyzer was donated. In addition, company has provided 25 bracket fans and providing meal to 25 patients on a daily basis.



- b) Donations were also made to Murshid Hospital and Health Care Centre, Kidney Centre, Burhani Blood Bank, Burhani Medical Welfare Association, Marie Adelaide Leprosy Centre etc.

Education

Agriauto understands the need of uplifting educational facilities of community and distributed following as part of its commitment;

- a) School bags and copies to students of primary sections of Government Girls High School (Akram Colony - Hub). Further, bracket fans and laboratory equipment were also provided.
- b) School bags /Copies, bracket fans and floor rug to Girls Primary School (Doda Goth) Sakran road Hub. In addition, bathroom has been constructed to facilitate the students of the school.

- c) School bags /Copies, bracket fans to Government Girls Primary School (Haji Ameen Goth) Sakran road Hub.



- d) Donations were also made to Professional Education foundation, Little Gems Academy etc.

Distribution of Ration to team members

The Company distribute ration hampers to all its team members each year, on 1st day of Ramadan, to support the well-being of staff and their families.



CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, the Company contributed Rs. 1.87 billion (2020: Rs. 1.04 billion) to the National Exchequer.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

HUMAN RESOURCE (HR)

Agriauto values its team and committed to provide a culture of inclusiveness and excellence, mutual respect and encourage professionalism, so that the Agriauto Family derives success and enables sustainability in our competitive edge.

The Company also ensure fulfilling its obligations towards the team and complies with all the laws and regulations leading to excellent industrial harmony and amicable team relations.

Online Performance Management System:

In order to create growth opportunities for delivery of excellence in alignment with organizational objectives, Performance Management System was revamped in FY 2020-21 and also automated to streamline the process with an aim to:

- Define, cascade and align individual objectives that are aligned with organizational objectives.
- Guide employees to identify what to achieve (objectives) and how to achieve those targets / objectives through outlining desired behaviors (competencies).
- Help employees to identify challenges and facilitate, develop and empower employees to overcome performance challenges.
- Attain overall organizational and personal excellence.

Training & Development:

To accelerate the performance of employees, special emphasis is laid on coaching. A number of training programs were arranged of a total of 35 difference courses were carried out translating into 2,693 training hours, which includes in-house as well as external programs. In addition, multiple online trainings were conducted during the Covid-19 pandemic to ensure continuous development of employees. Following are the some of the training conducted during the year:

- Management Development Program
- Leadership Competency Framework and Leadership Grid
- Creative Thinking and Problem Solving
- HSE training - 5S, working at Heights, Hazard Awareness Session, Occupational Health & Safety FPAP Certified Fire Warden, Scaffolding Training (Theory & Practical), Rigging & Slings Safety
- Kaizen / QCC
- ISO 45001 Standard Migration
- 7 QC Tools: Quality Models & CP, CPK Analysis
- Finance for Non-Finance
- Emotional Intelligence and Communication Skills
- Effective Supply Chain Decision Making using Simulation

Awards & Recognitions



PAKISTAN STOCK EXCHANGE LIMITED
Stock Exchange Building, Stock Exchange Road, Karachi-74000,
Phones: 111-001-122

PSX/N-1407

NOTICE

December 21, 2020

TOP COMPANIES FOR THE YEAR 2019

Pakistan Stock Exchange Limited is very pleased to announce the list of 'Top 25 Companies for the Year 2019' that have been chosen based on the Selection Criteria earlier notified vide PSX Notice No. PSX/N-1494 dated November 21, 2019.

Sr. No.	Name of Company
1	Fauji Fertilizer Company Limited
2	Nestle Pakistan Limited
3	Lucky Cement Limited
4	Habib Bank Limited
5	Arbroma Pakistan Limited
6	Engro Fertilizers Limited
7	Security Papers Limited
8	Bank Al Habib Limited
9	United Bank Limited
10	Coigate-Palmolive (Pakistan) Limited
11	Mari Petroleum Company Limited
12	Attock Petroleum Limited
13	Dawood Hercules Corporation Limited
14	Pakistan Oilfields Limited
15	Bata Pakistan Limited
16	International Industries Limited
17	MCB Bank Limited
18	International Steels Limited
19	Milat Tractors Limited
20	Agriauto Industries Limited
21	Engro Corporation Limited
22	EFU General Insurance Limited
23	ZIL Limited
24	AGP Limited
25	Gadoon Textile Mills Limited

Agriauto has been named among the top 25 Companies on Pakistan Stock Exchange for the year 2019.



Best Practices award at the 13th International CSR Awards 2021 by National Forum for Environment & Health.



Bronze Award at the 8th "Employer of the Year" Awards by Employers Federation of Pakistan.



Appreciation Shield - 15th Best Practices Award on OSH Ceremony in The Employers' Federation of Pakistan.



Third Prize Award at the "Living the Global Compact Best Practices Sustainability Awards" by Employers' Federation of Pakistan.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2021 is annexed.

RELATED PARTY TRANSACTIONS

All transactions with related parties have been carried out in normal course of business at agreed terms and have been disclosed in the financial statements under relevant notes.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS) issued by the International Accounting

Standards Board (IASB) as notified under the Companies Act, 2017 (the Act), and provisions of and directives under the Act, have been followed in the preparation of financial statements.

- The Board has outsourced the internal audit function to M/s. Noble Computer Services (Private) Ltd., who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- All members of the Audit Committee are independent/ non-executive Directors.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating & finance data for the last 6 years are annexed to the report.

During the year, Board of Directors held 5 meetings and attendance of the Directors was as follows:

SL #	Name of Director	Meetings Attended
1	Mr. Yutaka Arae	5
2	Mr. Fahim Kapadia	5
3	Mr. Hamza Habib	5
4	Mr. Sohail P. Ahmed	4
5	Mr. Salman Burney	5
6	Ms. Ayesha Tammy Haq	5
7	Mr. Muhammad Ali Jameel	3

During the year the Audit Committee held 4 meetings and attendance of the Directors was as follows:

SL #	Name of Audit Committee Member	Meetings Attended
1	Mr. Muhammad Ali Jameel (Chairman)	3
2	Mr. Sohail P. Ahmed	3
3	Ms. Ayesha Tammy Haq	4

During the year the Human Resource and Remuneration Committee (HRRC) held 3 meetings and attendance of the Directors was as follows:

SL #	Name of Director	Meetings Attended
1	Mr. Muhammad Ali Jameel (Chairman)	3
2	Mr. Sohail P. Ahmed	3
3	Mr. Yutaka Arae	3
4	Mr. Salman Burney	3
5	Mr. Fahim Kapadia	3

AUDITORS

The existing Auditors; M/s. EY Ford Rhodes, Chartered Accountants retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance with the Code of Corporate Governance is annexed herewith.

FUTURE OUTLOOK

With positive economic momentum developed in FY 2020-21 which is expected to continue next year, policy rate maintained at lower levels and encouraging projected volumes for FY 2021-22 from Auto makers, we foresee growth in automotive sector.

Moreover, with tax reliefs in the Budget 2021-22, substantial growth is expected in the production and sales of entry level passenger cars, thereby giving impetus in this segment of Automotive sector including Vendors.

The Government is expected to issue the Auto Industry Development & Export Plan (AIDEP) 2021-26 shortly with an aim on further growth of automobile industry and increase in the production,

On behalf of the Board of Directors.



Fahim Kapadia
Chief Executive



Salman Burney
Director

KARACHI
DATED: 26 August 2021

make entry level cars affordable for masses, boost exports, encourage localization and increase the footprint of electric vehicles.

ACKNOWLEDGMENT

We would like to express our sincere appreciation to all our employees for their untiring efforts and through a cordial and positive relationship during the year which helped us in meeting and overcoming our challenges due to which the company continued its year on year growth and we expect the same level of support from our employees in the year ahead.

On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, continuous support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Ride Control, LLC. USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s. Shiroki Corporation, Japan, M/s. Sannou Riken Co Ltd, Japan, M/s KMS (KYB Motorcycle Suspension, Japan) and M/s. Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

We are deeply grieved to inform the sad demise of Mr. R. D. Minwalla, former chairman of the Board of Directors of the Company in May 2021. He was associated with the Company for 29 years and his overall contributions in all spheres of the company will always be remembered.