

DIRECTORS' REPORT

The Directors of your Company are pleased to report on the financial position and performance of your Company for the 1st quarter ended September 30, 2018.

SUMMARY OF FINANCIAL RESULTS

Standalone

	Rs. '000	
	Quarter ended	
	30 Sep 2018	30 Sep 2017
Turnover	1,675,194	1,437,719
Gross Profit	256,354	289,133
Profit before taxation	167,974	202,215
Taxation	(47,691)	(60,356)
Profit after taxation	120,283	141,659
Earnings per share (Rs.)	4.18	4.92

The turnover for the quarter ended September 30, 2018 increased by 16.5% over corresponding period last year to reach Rs.1,675 million (2017: Rs.1,438 million), whereas profit before tax decreased by 17% to Rs.167.9 million (2017: Rs.202 million).

The decline in profit before tax is primarily due to the significant devaluation of the Pak Rupee against the US dollar and Japanese Yen, mainly on account of huge current account deficit as well as low foreign exchange reserves. The consequent increase in the cost of imported material could not be fully passed on to the customers in the period under review.

Earnings Per Share (EPS) for the quarter under review decreased from Rs.4.92 to Rs.4.18 (i.e. -17%) due to reasons mentioned above.

Consolidated

	Rs. '000	
	Quarter ended	
	30 Sep 2018	30 Sep 2017
Turnover	2,304,514	1,929,877
Gross Profit	358,737	406,674
Profit before taxation	262,425	307,398
Taxation	(50,427)	(60,578)
Profit after taxation	211,998	246,820
Earnings per share (Rs.)	7.36	8.57

Consolidated turnover for the quarter under review increased by 19% over the corresponding period last year to reach Rs.2,305 million (2017: Rs.1,930 million), whereas, the profit before tax declined by 14% to Rs.262 million (2017: Rs.307 million) mainly on account of the foreign exchange impact which will partly be recovered.

Earnings Per Share (EPS) for the quarter under review decreased from Rs.8.57 to Rs.7.36, (i.e. -14%) due to reasons mentioned above.

In addition to the rupee devaluation, as aforementioned, Regulatory Duty (RD) on steel products is also hurting the industry. The increase in steel prices in the international market coupled with RD & Additional Custom Duty (ACD) as well as exchange devaluation is making the local parts more expensive. In our several meetings with the Ministry of Industries and Federal Board of Revenue, we had requested them to reconsider giving exemption to the auto part makers from the levy of the RD. However, there has been no favorable outcome to our request as yet.

It has also been reported in the press that there is a substantial drop in the fresh order intake by the auto assemblers due to the requirement of being a tax filer for the registration of the new vehicle, resulting which, the sales volumes may decline in the forthcoming periods.

AGRIAUTO STAMPING COMPANY (PVT) LIMITED (ASC)

The Board of Directors of the wholly owned subsidiary company approved capital expenditure of Rs.376 million for the addition of 2 new presses of 800 & 500 tons' capacity and extension of the welding line in view of additional demand for the press parts. These new presses, which will be imported from China, are planned to be installed by end of Q3 of 2018-19. Since, the current production capacity is being utilized in full, these presses are expected to further streamline the operations of the Company and support in catering to additional production volumes in the future.

A team of Company engineers who have been extensively trained at Ogihara (Thailand) on die designing & development are currently involved in the development of dies for the upcoming new vehicle models by auto makers.

COMPOSITION OF THE BOARD OF DIRECTORS

During the quarter under review, one of the directors, Mr. Abbas ul Hussaini resigned from the Board and in his place, the Board appointed Ms. Ayesha Tammy Haq for the remainder of the term. Subsequent to the quarter end, another director Mr. Owais ul Mustafa resigned from the Board after 20-year long association with the Company. In his place, the Board appointed Mr. Hamza Habib for the remainder of the term.

The Board would like to place on record, its appreciation for the valuable services rendered by the outgoing directors especially Mr. Owaisul Mustafa who has been associated with the Company for over past 20 years. The Board acknowledges that he had been instrumental in providing effective guidance to the Company throughout these years, particularly through hard times and served the Company through his knowledge, experience and commitment. The Board would like to wish the outgoing directors for their future endeavors. The Board would also like to welcome the incoming directors and hope that the Board would benefit from their expertise and contribution.

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 employees who have worked diligently for the progress of the Company.

On behalf of the Board of Directors.

Fahim Kapadia



Chief Executive

Dated: October 24, 2018