

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2009

Dear Shareholders,

We are happy to present to you the Company's Annual Report on the results of its operations along with the audited accounts for the year ended June 30, 2009.

Fiscal 2009 was once again a difficult year for the manufacturing industry and especially for the automotive sector. However, your company maintained its sales growth and created value for its stake holders.

The Board of Directors' is pleased to recommend a cash dividend of 40% i.e. Rs. 2.00 per share. The Board has also recommended appropriation of Rs. 200 million from un-appropriated profits to General Reserve.

PAKISTAN ECONOMY

Pakistan's key macroeconomic indicators during the financial year 2008-09 were weak with the manufacturing sector posting a negative growth rate of 3.3 percent against the target of 6.1 percent and 4.8 percent of last year. The large scale manufacturing sector witnessed a sharp slump of 7.7 percent during the period July-Mar 2008-09. This was mainly caused by severe energy crisis, deterioration in law and order, sharp depreciation of rupee vis-à-vis all currencies and most importantly the global recession and slowdown in domestic demand.

Pakistan's economy posted an overall growth of around 2.5 percent. Large scale Manufacturing growth will continue to remain captive to acute energy shortages and demand shrinkage in exports. The coming months may witness lower inflation and positive growth particularly after the endorsement by IMF of Government's Economic Stabilization Program which has lent some confidence back to the economy.

AUTOMOTIVE SECTOR

The auto sector after being bullish for 6 years has been in decline during the last 2 years, including the year under review, arising from uncertain economic conditions, prevailing political unrest, halt in auto financing facilities by some banks due to loan defaults, high interest rates resulting in expensive auto financing and higher cost of vehicles due to heavy depreciation of Rupee.

Further the imposition of additional taxes in the Finance Act, 2008 being the levy of withholding taxes on registration of new vehicles, additional federal excise duty on vehicles having an engine capacity of more than 850cc, 1% increase in sales tax, provincial luxury tax, further dampened the growth of the automotive sector in the fiscal year 2008-09.

Summarized automobile production figures comparing 2008-09 with 2007-08 appears below:

	2008-09	2007-08	Change
Passenger Cars	84,308	164,710	(48.81%)
Light Commercial Vehicles	17,090	22,934	(25.48%)
Trucks & Buses	3,792	6,136	(38.20%)
Tractors	59,968	53,256	12.60%
Motorcycles (2 & 3 Wheelers)	493,592	641,031	(23.00%)

Source : PAMA report June 2009

** Does not include non-PAMA members*

1. SUMMARY OF FINANCIAL RESULTS

Following are the summarized financial results of the Company for the year 2008-09 :

	<u>2008-09</u>	<u>2007-08</u>	<u>(Rs. '000)</u>
Turnover	2,413,309	2,140,261	
Gross Profit	485,166	511,862	
Profit before Taxation	401,878	427,852	
Taxation	(128,507)	(150,671)	
Profit after Taxation	273,371	277,181	
Earnings Per Share (Rs.)	9.49	9.62	(Restated)

2. OPERATIONS

Sales: Sales during the year 2009 remained steady with a turnover of Rs. 2.413 billion, an increase of Rs. 273.048 million or 12.76% over previous year. Sales in the after-market did reflect significant improvement over previous year and it is expected that the growth trend will Inshallah be maintained. Higher growth in OEM sales is expected in two and three wheelers as well as tractor parts whereas car, sales is expected to exhibit improvement over 2009 due to withdrawal of FED in the Finance Act 2009 on vehicles of more than 850 c.c engine capacity and reduction of car prices besides anticipated reduction in KIBOR and lowering of financing cost

Cost of Sales : Cost of sales of Rs. 1.928 billion increased by Rs. 299.744 million or 18.41% over the last year. The Gross Profit margin thus declined from 23.92% of last year to 20.10% during financial year 2009. The main reason for this decline was the decline in Rupee-Yen parity and high freight charges which could not be wholly offset through price increases from the customers.

Distribution Cost : This cost has increased from Rs. 41.06 million of last year to Rs. 45.97 million this year, an increase of 11.96%. This increase is primarily due to increase in transportation charges over last year.

Administrative Expenses: This cost has increased by Rs. 9.50 million from Rs. 38.26 million last year to Rs. 47.76 million this year, an increase of 24.83%. This increase is largely due to induction of new team members, traveling for participation in international exhibition, increase in security services due to conditions in Hub area, general inflation etc.

Other Operating Income: Your Company earned Rs. 14.26 million during the year on its excess liquidity. (2008 : Rs. 21.74 million) through prudent investments.

3. SHEET METAL PRESS SHOP PROJECT

Alhamdolillah the Sheet Metal Press Shop was commissioned in January, 2009 and commercial production of stamping parts for automotive assemblers have commenced and this will increase in volume over the next few years. In addition, negotiations with appliance, steel furniture and lighting industry is concurrently in process and business is expected from some of these diversified industries during the next financial year.

4. NEW PRODUCTS & SUNDAR LAND

The company during the financial year satisfactorily developed the shocks and struts for the new Corolla which was successfully launched on schedule in August 2008. Shocks Absorbers for some high selling imported vehicles have also been developed for the replacement market, a variety of shock absorbers

for Chinese motorcycle assemblers have been developed and oil pump for a tractor manufacturer is under development.

During the year the company disposed the land at Sundar Industrial Estate Lahore but has retained the prime land in Bin Qasim, Karachi.

5. CONTRIBUTION TO THE COMMUNITY

Your company is also mindful of its corporate social responsibilities. The company has contributed an amount of Rs. 3.90 million (2008: Rs. 3.35 million) during the year which includes support to various educational institutes, hospitals, disaster relief in Balochistan and NWFP and to IDPs.

6. CONTRIBUTION TO THE EXCHEQUER

Your company paid Rs. 652 million during the year to the national exchequer under various levies.

7. FUTURE OUTLOOK

Your company's strategic thrust will continue to focus as a reliable and close partner with all the automotive assemblers in the country. The volume growth for shock absorbers and parts is envisaged to come from the two wheeler/three-wheeler industry which will for the interim period support some of the decline in demand of the four-wheeler industry which will Inshallah bounce back as soon as conditions normalize in the country and financing facilities made available to buyers at better rates. Our increased variety of shocks for 2 wheelers will help us to augment our sales in the sector.

The tractor industry is expected to do as well, if not better than the year under review. Addition of fuel pump in our range for this sector will contribute favorably in the future. Our efforts to acquire additional business from tractor industry and new business for our Press Shop will continue unabated.

We continually face an uphill battle with the unscrupulous traders and urge the government to take necessary steps to bring to book such elements and strengthen the economy and the industry.

8. PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2009 is annexed.

The following transactions in the shares of the Company were undertaken by its Directors:

Shares Sold by Mr. R. D. Minwalla	200 shares
Shares Purchased by Mr. R. D. Minwalla	5000 shares

9. CORPORATE AND FINANCIAL REPORTING

In compliance with the listing regulation # 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, the Directors of the Company do hereby declare the following:

- a. The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.

- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund base on the audited accounts for the year ended June 30, 2008 amounted to Rs. 19.8 million.

10. NUMBER OF BOARD MEETINGS

During the year, four Board meeting were held and attendance is given hereunder:

SL #	Names	No of meetings Attended/held
1	Mr. R. D. Minwalla (Chairman)	4/4
2	Mr. Sohail P. Ahmed (Executive Vice Chairman)	4/4
3	Qazi Ebadullah Khan (Chief Executive)	4/4
4	Mr. Owais ul Mustafa	3/4
5	Syed Sikander Ahmed	4/4
6	Mr. Fahim Kapadia	4/4
7	Mr. Tariq Saud Quddusi	3/4

11. AUDITORS

The existing Auditors M/s. Ford Rhodes Sidat Hyder & Co (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

12. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

13. Acknowledgement

We are pleased to acknowledge that the relations with employees remained congenial and harmonious throughout the year. The Management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the company, without which this performance would not have been possible. Once again we expect the same zeal and commitment to continue and prevail.

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, unflinching support and contribution to the Company. We are also thankful to all our overseas Technical Collaborators, M/s Gabriel Ride Control Products, Inc. USA, M/s KYB Corporation, Japan and M/s Aisin Seiki Co. Ltd, Japan for their technical assistance and advice.

On behalf of the Board of Directors.

Qazi Ebadullah Khan
Chief Executive

KARACHI
DATED : September 14, 2009