

Directors' Report

The Directors of your Company are pleased to issue this report on the financial position and performance of your Company for the 3rd quarter ended March 31, 2014 and to-date.

Sales for the period was Rs.2.42 billion, almost the same as compared to Rs. 2.41 billion of the corresponding period of last year. However, the profit before tax has declined from Rs. 294.9 million to Rs. 259.9 million, a decline of Rs. 35 million as compared to corresponding period of last year.

The decline in profit is attributed mainly to reduced gross profit on account of product mix and decline in other income due to investment in subsidiary company.

We are pleased to report that the Federal Government issued Sales Tax General Order on March 18, 2014 to resolve the chronic issue of levying 2% extra sales tax on auto parts and accessories. It has now been clarified that the said levy is not applicable to the manufacturers of auto parts from the date of its enactment. During the quarter, the Federal Government has also allowed input sales tax adjustment for the tax paid to the provincial government on account of services with retrospective effect. These anomalies were negatively impacting business operations.

The Government is yet to announce the Auto Industry Plan for 2014-19. We hope that the plan would be made, keeping in view the larger interests of the Auto Industry and its sustainable growth.

The projections received from the Auto Assemblers, for the remaining part of the year, is flat. The Company will also commence the production of manual type window regulator for passenger cars soon. The tractor industry after long spell of sluggishness is showing some signs of recovery despite the fact that the sales tax applied from January 2014 @16% is still un-changed. Motorcycle segment is stable and will remain the same till the year end.

AGRIAUTO STAMPING COMPANY (PVT) LIMITED (ASC)

The new Company is all set to start its operation as planned. Trial activities are currently in progress and raw material for the initial supplies has also arrived. We are expecting foreign technicians next month to validate our production processes and logistics system.

We are very hopeful that with the help and assistance from Ojihara Thailand Company we will be producing world class quality products in Pakistan.

We would like to express our sincerest appreciation to all our Customers, Dealers, Bankers and Foreign Technical collaborators for their unabated support and confidence 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 : April 26, 2014